

# CAPITAL MARKETS LITERACY IN THE CZECH REPUBLIC

SRSS/SC2017/035 Lot 1

Final report

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## **Disclaimer**

The information and views set out in this report are those of the authors or of the stakeholders, collected throughout the project phase, and that do not necessarily reflect the official opinion of the European Commission.

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## Abbreviations

CNB	Czech National Bank
MoF	Ministry of Finance
SMEs	Small and medium enterprises
OPPIK	Operational Program of Business and Innovation for Competitiveness
SMBs	Small and medium businesses
BIC Bratislava	Business and Innovation Centre Bratislava
PR	Public relations
EU	European Union
GM	General manager
CFO	Chief financial officer
IPO	Initial public offering
SRSS	Structural Reform Support Service
MiFID	The Markets in Financial Instruments Directive
CR	Czech Republic
CMUA	Capital Market Undertakings Act
CMU	Capital markets union
HNWI	High-net-worth individual
EC	European Commission
MC	Management companies
MIT	Ministry of Industry and Trade
CEO	Chief executive officer
HK ČR	Chamber of Commerce of the Czech Republic
AMSP ČR	Association of Small and Medium Sized Businesses and Self-employed Traders of the Czech Republic
IFRS	International Financial Reporting Standards
OECD	Organisation for Economic Co-operation and Development
GDP	Gross domestic product
EIBIS	European Investment Bank Investment Survey
UK	United Kingdom
ISIN	International Securities Identification Number
EIF	European Investment Fund

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CMZRB	Czech-Moravian Guarantee and Development Bank
CCE	Croatian Chamber of Economy
B2B	Business-to-business
USAID	United States Agency for International Development
EI	Enterprise Ireland
KPI	Key performance indicators
AKAT	Czech Capital Market Association
CVCA	Czech Private Equity & Venture Capital Association
EIB	European Investment Bank



## Executive Summary

### Background information

Based on statements of the key stakeholder authorities, it is understood that the Czech Republic suffers from a low level of capital markets literacy on the side of capital market participants. In order to make the market more attractive for both groups, it is important to improve the level of capital markets literacy. Therefore, the Czech Republic has requested support from the European Commission in capital markets literacy of SMEs and stimulating SME's to use non-bank financing.

This final report is the outcome of a project conducted related to the above mentioned request and that has been performed by the contractor Ernst & Young ("EY", "Contractor") and subcontractor ("FleishmanHillard", "Subcontractor", "FH") ("Report").

The aim of this Report is to summarize outcomes of the work conducted during this project, whose goals were to:

- a) Present results of the information and communication gap analysis conducted on the Czech capital market ecosystem stakeholders;
- b) Identify international best practices for improving low level of capital markets literacy of Czech capital market participants ("International Best Practices")
- c) Propose a communication strategy providing with a framework for mitigating actual issues regarding the Czech capital markets literacy ("Strategy", "Communication strategy") and action plan delivering this Strategy ("Action Plan");
- d) Suggest a communication campaign in line with the Strategy specifying topics and corresponding key messages for identified target audience groups,
- e) Organize a reach-out event in order to facilitate discussion between national authorities and market participants.

### Major findings and recommendation for the Communication Strategy based on the performed analysis and researches

Czech Small and medium enterprises (SMEs) have rather low knowledge about the basic capital market instruments. Majority of SMEs have not used capital market instruments as a source of financing and identify usage of own sources or bank financing as a key reason for not using capital markets instruments. Bank financing is dominant source of financing for SMEs in the Czech market because of the simplicity, lower costs and lower disclosure obligation of bank financing compared to financing on capital markets. With respect to possible advantages of financing on the capital markets, higher flexibility in comparison with bank financing is something that respondents see as a significant advantage, as well as additional marketing impact being a potential accompaniment when offering the issues to public.

According to the capital market intermediaries one of the main reasons for low usage of capital market instruments and preferring the bank financing instead of financing through capital markets' instruments is low understanding of the value that SMEs may gain for themselves, as well as conservative approach

and weak awareness of SMEs regarding the possibilities of financing through these instruments. Most of the SMEs seeking for alternative ways of financing are solving specific problems which are not bankable for commercial banks. In order to improve the capital market activity and attract issuers, the group of intermediaries propose to conduct education of SMEs under the auspices of state authorities and also a stronger state's involvement.

Regarding the non-domestic investors on capital market, the issuances of SMEs are considered too risky for the investment. The reason is, for example, the low size of the bond issuances in case of SMEs. There are disproportionately high transaction costs that the investors have to incur regarding the analysis of the new issuer, considering the minimal ticket for the investment. Domestic investors see as the most significant obstacle hindering them from investing a weak quality of data being disclosed by the SMEs. Level of transparency currently provided is not satisfactory in terms of regularity and details, especially to the extent of the expected development of the company. In order to increase the amount of investments, investors perceive the improvement in transparency of the accounting data and of the organizational / capital structures of the companies as necessary. Moreover, investors would appreciate the enhanced liquidity of the instruments and unified rules for rating of the companies, covered by independent association / body.

The current regulatory set up from the perspective of national authorities is perceived as sufficient. Their goal is to support the issuance of financial instruments by the SME entities and consequently the development of capital markets. They identify a low demand on the market and high transaction cost of the small-size issuances as key reasons for local capital market underdevelopment.

### **Identified International Best Practices**

Based on the identified communication gaps and on the Communication Strategy point of view, three practices have been selected and are proposed to be exploited for creation of future Communication Strategy in the Czech Republic.

- a) Financial literacy for Business in Croatia
- b) Finance Desk of Chamber of Commerce in Netherlands
- c) BIC Bratislava in Slovakia

Objectives of these practices were primarily to inform, educate and support SMEs in accessing the financing through capital market instruments for SMEs. Authorities of the Czech Republic selected the three above recommended International Best Practices for further application in the Czech Republic.

## Communication Strategy and Action Plan

The prepared Communication Strategy provides a blueprint for how the Czech Republic should communicate in order to increase the capital markets literacy and awareness. It proposes a wide range of different communication tools based on the identified international best practices as well as on local specifics. These will help the Czech Republic to achieve greater awareness of the issue and to increase utilization of the capital market to finance further development of the companies where such tools are the most suitable.

Communication goals of the Strategy and corresponding tools are presented below along with its objectives:



The Strategy proposes a long-term campaign lasting five years altogether. This proposed timing counts with a preparatory phase as well as execution phase. Since any communication campaign cannot be present in the public space and eye for a long time continuously unless excessive amount of funding is spent, the Strategy proposes the campaign to be carried out in several phases that would enable the administrator to achieve the best cost-to-results ratio. This is described in detail in the Action Plan that is proposed together with the Strategy.

### Topics and corresponding messages for a future communication campaign

Based on the framework of the Strategy, key topics and corresponding messages were identified for each of target audience groups and Strategy content for the communication campaign was suggested.

In order to raise awareness of the project and reach the minds of the target audience, an umbrella branding was proposed. For each brand to work in communication and for it to be memorable, it also needs a visual representation. Usually the core for a visual identity is a logo.

Below a proposal for the name and logo can be found:



KAPITÁLOVÝ PRŮVODCE

Messages prepared for the communication campaign come especially with following statements:

- We come with a project that will demonstrate to Czech SMEs how the capital market can help them start, develop or finance their business undertaking
- Funding by bank loans or own capital are not the only available sources of finance for a business undertaking
- The capital market can also help start, develop and finance an enterprise
- The capital market does not compete with bank loans or own capital when it comes to funding, it supplements the two suitably: When is it best to use own capital, when is it best to utilise a bank loan and when is the time to look to the capital market?
- Seek advice from an expert to see which solution is best in a given situation

For the purposes of developing a content strategy, it is also essential to define key attributes to be promoted by the Kapitálový průvodce [Capital Guide] brand. Below, please find core attributes below:

- **Simplicity** – it is not that complex
- **Trustworthiness** – a stable and standard part of the financial world used worldwide
- **Openness** – alternative to more well-known corporate financing tools with pros and cons
- **Inspiration** – there are many successful Czech stories of capital market financing

Proposed communication topics in Capital Markets Literacy in the Czech Republic campaign are divided into three umbrella topic sections. These sections are further differentiated in relation to phase of the Communication strategy (Awareness/Education/Engagement/Conversion) based on marketing funnel approach. Below find the three umbrella topic sections along with few examples:

- a) **Capital Market:** This section covers all topics, that relate to general educational information about capital market, its tools, statistics and Kapitálový průvodce [Capital Guide] campaign.
  - *“Ministry of Finance with the support of CzechInvest launches the Capital Guide for SMEs.”*
  - *“What are the advantages and disadvantages of individual key instruments of the capital market.”*
  - *“Capital Guide opens its new information point in the City of Brno.”*

- b) **Tips & Tricks:** This section covers all the topics providing actual advice to target audiences, such as “How to...” information.
- *“Considering the most suitable financing tool for your company? Let Capital Guide help you choose.”*
  - *“How to choose the most suitable form of financing and obtaining quality, independent advice.”*
  - *“Five tips to choose the right capital market advisor.”*
- c) **Success Stories:** This section covers three key success stories of companies, that have successfully utilized capital markets tools in the business.
- *“Meet the successful corporate bonds issuer in your city.”*
  - *“Star from the START Market.”*

The communication campaign will have a limited and professional target audience and will aim to educate and activate entrepreneurs and capital market professionals. The overall tone of the communication will be adjusted to the target audiences and will mostly remain professional and factual, focusing on key facts, case studies and providing professional advice.

#### **Reach-out event**

Reach-out event took place on the 17th of September in the premises of Florentinum’s EY office in Prague. It had a form of “roundtable” discussion among representatives of national authorities and capital market participants. Prior to the open discussion itself, results of individual parts of the Project were presented and commented by the participants who welcomed this Project in the most time and supported whole idea of Ministry of Finance. Furthermore, few of the representatives of participating entities promised cooperation during the following steps after this Project.

Participants also expressed their opinion of what are the actual barriers hindering Czech capital market from further development and came-up with ideas of what else to involve into the Strategy.

# 1 Introduction

## 1.1 Background and context of the scope of work

Structural Reform Support Service (SRSS) of the European Commission (EC) is providing support for the preparation and implementation of growth-enhancing administrative and structural reforms by mobilizing EU funds and technical expertise. The Czech Republic has requested support from the European Commission in increasing capital markets literacy of SMEs and stimulating SMEs to use non-bank financing. The mutual interest of both Czech Republic and European Commission resulted in the project “Capital Markets Literacy in the Czech Republic”.

Based on statements of the key stakeholder authorities, it is understood that the Czech Republic suffers from a low level of capital markets literacy on the side of capital market participants. In order to make the market more attractive for potential issuers, it is important to improve the level of capital markets literacy. Gaps and barriers in communication and transferring information need to be identified and actions to close those gaps need to be addressed in order to increase capital markets literacy.

Czech companies have been relying primarily on bank financing and experience or knowledge of capital markets instruments (bond issuance, IPO's or other capital markets instruments) of these subjects is rather limited. Information barriers can lead to inefficiency on financial markets, limited access of issuers to capital markets, limitation in the competition between capital providers. In addition, these barriers also lead to limitation of growth of the issuers, while reducing the potential of the entire economy to respond flexibly to the current availability of resources. By enhancing literacy of capital market participants, improvements in economy potential can be made.

### 1.1.1 Capital market instruments as a source of funding for small and medium enterprises

Focusing more closely only on the SMEs, capital market instruments are definitely not placed among their favourite sources of funding. Capital market instruments are considered rather alternative sources of finance, which is the problem across the whole Europe and also a reason, why European Commission fosters growth of alternative financing and accessibility of capital markets for SMEs' through the Capital Market Union.

SMEs in the Czech Republic are among the least active on capital markets in comparison with the rest of EU countries. SMEs in the Czech Republic prefer financing especially through bank loans and loans from other sources (trade credits, loans from related companies, etc.), while being highly reluctant to let equity investors into their companies.

### 1.1.2 Potential barriers for SMEs to enter capital markets

According to Czech Ministry of Finance (MoF), key reason of avoiding capital markets by SMEs is in particular low awareness of local entrepreneurs regarding possibilities of financing through capital market instruments, especially with current positive phase of economic cycle and excess of bank liquidity along with low interests.

European Commission declares existence of information barriers as the key reason of capital markets' under-development related to SMEs, including substantial lack of financial knowledge on the SMEs' side; lack of recognized sources of business finance advice for SMEs; lack of SMEs' skills to adequately present their funding case to equity investors and venture capital firms; lack of standardised, verifiable and accessible financial information about SMEs representing a significant barrier for alternative finance providers to invest into SMEs; unwillingness to make SMEs' information public and to bear the costs of disclosure requirements; unwillingness to spare convenience, time and effort during finance seeking process.

### **1.1.3 Possible mitigation of barriers suggested by public authorities**

Decrease of dependence on the bank financing and development of capital market financing of SMEs is one of the main goals of the MoF. The active approach of MoF is demonstrated by incorporation of measures supporting the development SMEs in its National Strategy for the Development of the Capital Market in the Czech Republic 2019–2023 with focus on:

- a) Financial literacy of managers of SMEs related to the capital market possibilities of financing
- b) Better conditions for Business angels' activities;
- c) Investment crowdfunding development and others.

Possible solutions seen by MoF is to make alternative sources of finance through capital markets more attractive for the companies and systematically raising awareness of possibilities and benefits of diversifying of sources of finance. More detailed overview of key measures in support of enterprises (as stated in the National Strategy for the Development of the Capital Market in the Czech Republic 2019–2023 by MoF) is presented in subchapter 1.3.7.

Proposed solutions by European Commission are broadening awareness about financing sources for diverse business needs and developing of financial skills of the entrepreneurs, raising activity of advisors complementing SMEs with monitoring and advice, better feedback providing from the side of banks on declined credit applications; providing other market participants and alternative funding providers with data of banks about their SME clients giving them possibility to assess creditworthiness of SMEs and better decide about investment; building trust and confidence to alternative finance sector among start-ups and SMEs by introducing accreditation system for alternative finance providers.

Some of the recommendations from World Bank are mitigation / increasing limit for issues above EUR 1m for the abbreviated prospectus disclosure approach making the market more open to lower / middle tier issuers, identifying potential issuers and discussing with them to understand their perceptions of the securities market and the obstacles in their usage; education of the issuers about the benefits of raising capital and listing by creating a program of workshops and training materials, in order to increase their knowledge of the process; supporting a selected number of target issuers during offerings. It could include one-on-one trainings in corporate finance, investor relations and so forth.

## **1.2 Scope of work: Request for services - Capital Markets Literacy in the Czech Republic**

Available studies on the Czech Republic continue to highlight that the Czech Republic suffers from a low level of capital markets literacy. This project aims to examine how the low level of capital markets literacy might best be addressed in the context of the Capital Markets (mainly issuers, equity analysts and investment advisors).

To address the problem of a low capital markets literacy, the MoF intends to create a Communication Strategy, which will provide the blueprint for how the Czech Republic shall communicate to the target groups (mainly issuers, equity analysts, portfolio managers and investment advisors) on this issue („Project“).

The result of the Project is expected to be the implementation of a Communication Strategy to increase the level of capital markets literacy and support the national authorities in order to provide an opportunity to enhance competitiveness and sustainable growth in the Czech Republic.

This final Report is summarizing all deliverables of the Project which were following:

- Preliminary report
- Strategy with an Action Plan
- Topics and key messages for a future communication campaign

Last deliverable to be provided by the Contractor and the subcontractor after delivery of this Report is organizing of a “Reach-out event”. Outcomes of this event are not part of this Report.

The preliminary report provided an analysis of the Czech capital markets ecosystem and of the information/communications gap therein. Secondly it identified best international practices for capital markets literacy improvement with focus on best practices in other EU member states.

Based on the best practices identified throughout the preliminary report, the most suitable practices to be applied were chosen by MoF. Strategy to improve capital markets literacy has been prepared based on the chosen practices. The Strategy provides with a framework for mitigating actual issues regarding the capital markets literacy and presents a detailed communication/Action Plan with a specific objectives and measures to be delivered in order to bridge the existing information gap.

In line with the Strategy and Action Plan, a communication campaign providing with a suggested content for the Strategy has been prepared. The subcontractor specified topics and corresponding key messages for identified target audience groups, which should be utilized in the future by MoF.

The Strategy and Action Plan will be discussed on a reach-out event organized by the Contractor in order to facilitate discussion between national authorities and market participants.



### **1.3 Capital market of the Czech Republic**

This chapter outlines an overview of the Czech capital market ecosystem based on the economic and regulatory conditions and further identifies the defined target groups and their relations for the purposes of this Report in order to provide a background for the further analysis.

#### **1.3.1 Understanding of the capital market**

A capital market is that part of a financial market where securities are traded. Trading on the capital market is concerned with medium- and long-term capital, i.e. low-liquidity capital, or in other words, securities with a maturity of more than one year (short-term securities maturing in one year or less are traded on what is called the money market).

The capital market facilitates the trading of securities that mature in more than one year. The basic instruments used on capital markets are equity shares and bonds. These instruments provide businesses with alternatives to using their own funds or bank loans to finance their needs. The capital market enables the transfer of available funds from savers to those in need of funds who are able to put such funds to productive use.

A well-developed capital market within an economy reduces excessive reliance on financing through the banking sector. If businesses were funding their needs solely through bank loans then a financial slump could force banks to reduce the availability of loans, rendering enterprises unable to obtain the financial resources required for their business activities (this risk applies especially to small and medium sized enterprises). Such a situation would be likely to impact negatively not just on individual enterprises but on overall economic growth and employment as well. Another possible outcome is an increased risk of costly bailouts funded by public budgets for banks facing bankruptcy. On the other hand, a combination of bank loans and funding obtained in a sufficiently developed capital market produces a higher level of resilience against such systemic risks as it provides businesses with an alternative source of funding in the event of a reduced availability of bank loans, while making the economy less reliant on the banking sector and its condition.

The capital market also provides enterprises with increased flexibility as they have the option of avoiding the sometimes quite limiting conditions associated with bank loans. The obligation to only repay the bond principal upon maturity as opposed to regular loan repayments benefits the cash flow of the issuer. The capital market thus allows businesses to tap into more accessible sources of financing for their investments and innovations, accelerating their growth and improving efficiency and competitiveness. These advantages translate into developed capital markets that benefit not only the participating enterprises but also the economy as a whole through increased investment, employment and expanding GDP. A sufficiently developed capital market is also capable of attracting foreign investment.

The capital market also benefits households as it provides them with a greater choice of ways in which they can increase the value of savings with a greater portfolio diversification through a broader choice of investment products. The advanced development of a capital market also translates into lower fees, greater liquidity and generally more flexibility for households.

A combination of bank loans and funding sourced from the financial market increases enterprises' flexibility in securing the funding they need, provides them with better opportunities for accelerated growth, and reduces their dependence on bank loans. Households benefit from opportunities to increase the value of their savings with broader diversification. A properly developed capital market improves the economy's resistance to shocks and supports investment, employment and economic growth.

### 1.3.2 Czech capital market history

When the communist regime in Czechoslovakia fell in late 1989, the country had no capital market to speak of. Aiming to transform the centrally planned economy into a market one, the country organised a voucher privatisation project designed to enable the population to acquire shareholdings in state-owned enterprises. The Prague Stock Exchange (PSE) was established in 1993 (in the independent Czech Republic) and enabled trading mainly of equity securities and bonds, and other financial instruments to a certain degree. In the same year, a smaller stock exchange, RM-System, was also founded. The nascent capital market fell under the supervision of the country's Ministry of Finance. However, relevant legislation was yet to be fully implemented and the market was thus left to its own devices to a considerable degree. Between 1998 and 2006, the capital market was supervised by the Securities Committee. The legislative and regulatory environments gradually became more established while the capital market stabilised (the fundamental legislation in the Czech Republic in this area is the Act on Business Undertakings on the Capital Market). In 2006, the Czech National Bank ("CNB") became the sole supervisor of the entire financial market. The country's central bank has acted in that capacity ever since. In terms of capital market supervision, the CNB, for example, issues the relevant licences, promulgates and enforces decrees and directives, operates and publishes a register of financial market entities, requests corrective measures and levies penalties in cases where there are breaches of relevant regulations. In general, the CNB aims to provide protection for small investors and maintain the reputation of the country's capital market. In terms of assistance provided to small and medium sized businesses, this falls within the scope of the Ministry of Industry and Trade (MIT), which, however, focuses more on direct subsidies rather than the capital market as such.

With the accession of the Czech Republic into the European Union, the Czech capital market to a considerable degree came under the influence of European regulation, in particular MiFID (The Markets in Financial Instruments Directive), followed up by MiFID II in 2018. Unified European licensing also resulted in strong growth in the numbers of foreign banking and non-banking financial entities offering investment services in the Czech Republic.

Following the voucher privatisation, Prague Stock Exchange listed in the 1990s a considerable number of traded companies. In many cases, however, both their liquidity and traded volumes remained low, and the number of listed companies gradually decreased. The biggest volumes were traded on the PSE in the period between 2001 and 2008. Following the financial crisis, the stock exchange slumped in 2009 with a downwards trend more or less persisting in subsequent years. The proportion of equity shares to bonds in the total volume traded has fluctuated quite considerably over time due to various (mostly legislative and technical) developments. Currently, shares are clearly dominant. According to the PSE's 2018 Annual Report, the total volume of share trades reached CZK 142.6bn in 2018 while bonds trailed at CZK 9.3bn

and trading in other products contributed tens to hundreds of millions of Czech crowns (compare the figures with the record-breaking CZK 1.987tn worth of trades in 2001). In addition to its main market, the PSE launched its START market in 2018. It is dedicated to smaller, innovative companies. Businesses normally organise their IPOs through agents while trading on the PSE is possible exclusively through brokers who are members of the stock exchange. Banks are key mediators, with non-banking brokers also operating on the market.

The secondary stock exchange in the Czech Republic is RM-System, intended mainly for small and medium sized investors. Compared to the PSE, it is a considerably smaller stock exchange, with a trading volume of CZK 2.8bn in 2018 (and a pronounced dominance of equity shares).

In recent years, various crowdfunding platforms have also emerged. They enable businesses to obtain funding from large numbers of small investors in return for either equity shares or bonds. While crowdfunding remains rather negligible for the Czech economy in macroeconomic terms it can be an essential option for some enterprises. Still seen as a rather novel approach, its importance can grow in the future.

Summing up, following the rocky 1990s and the boom of trading on the stock exchange in the noughties, the whole environment settled down. It is now characterised by legislative and regulatory stability on the one hand and low liquidity on the other. However, there are also new financing options on the rise, aimed especially at small and medium sized enterprises, such as START market or various crowdfunding platforms.

### 1.3.3 Czech capital market and its current ecosystem

Capital market ecosystem in Czech Republic nowadays represents part of Czech Republic's financial system, evaluated by World Bank to be highly bank-centric.<sup>1</sup> During the time of preparation of this Report, the extensive part of the capital strength on the market is in hands of commercial banks as it is seen in the table below.

**Table 1: Shareholder's Equity by Industry Segment (2018)**

Segment	CZK (bn)	EUR (bn)
<b>Commercial banks</b>	553.5	21.6
<b>Insurance industry</b>	97.7	3.8
<b>Pension funds</b>	9.0	0.4
<b>Credit unions</b>	3.5	0.1
<b>Investment firms</b>	3.5	0.1
<b>Management companies</b>	3.3	0.1

<sup>1</sup> For detail please refer to the World Bank Report on [https://www.mfcr.cz/assets/cs/media/Zprava\\_2017-10-02\\_CZ-CM-Assessment-Report-Final.pdf](https://www.mfcr.cz/assets/cs/media/Zprava_2017-10-02_CZ-CM-Assessment-Report-Final.pdf), p. 36

Source: CNB ARAD data

The dominance of banks on the market is supported also by the amount of assets held slightly reaching 75% of the Czech financial market<sup>2</sup>. From the perspective of the SMEs, banks are considered to be liquidity providers. Currently, access to finance within the banking sector is not a significant issue for the businesses generating profit. As it was assessed by the European Central Bank in the survey on access to finance of enterprises (2018), 74% of the businesses applying for the loan or overdraft were successful in the Czech Republic. Only 12% of the application were denied by banks, which is the third lowest rate in EU<sup>3</sup>.

**Table 2: Comparison of market capitalisation and commercial bank assets (2018)**

Assets (2018)	CZK (bn)	EUR (bn)
<b>Commercial banks assets</b>	7,281	283.9
<b>PSE market capitalisation</b>	1,047	40.8

Source: CNB ARAD data, PSE Fact Book 12/2018

The importance of banks in enterprise financing within the Czech economy, as opposed to the capital market, manifests for example in the fact that the market capitalisation of the PSE was about CZK 1.0tn at the end of 2018, or a mere 14 percent of the total assets of commercial banks in the country, which amount to CZK 7.3tn.

On the supply side, there is generally a low interest among foreign investors in financing Czech SMEs as such investments are considered too risky and associated with relatively high transaction costs in checking issuers' backgrounds. On the other hand, there is considerable potential interest among domestic investors which are hindered mainly by the low quality of information provided by enterprises.

The role of the capital market remains largely auxiliary in the Czech economy, even more so in the case of SMEs that generally prefer financing through bank loans and other sources with enough simplicity and reduced demands in terms of disclosing Company's information. Awareness of capital markets and their potential benefits remains low, relegating them to the role of an alternative source of funding in specific cases that render bank loans impractical.

#### 1.3.4 Regulatory framework

Regulation and supervision of the Czech capital market is divided between Ministry of Finance and Czech National Bank. Ministry of Finance holds the lead role in creating the legal framework for the Czech capital market, including the adoption of laws and regulations that transpose EU Directives and Regulations with impact on the capital market. The CNB acts as the capital market regulator and supervisor. Besides the supervisory role, the CNB aims to support the development and transparency of the capital market, enforce market discipline, promote competitiveness of capital market service providers, prevent system failures, support the issuing of securities, protect investors and clients, and encourage public trust in the capital market.

<sup>2</sup> For further analysis please refer to the World Bank report available on: [https://www.mfcr.cz/assets/cs/media/Zprava\\_2017-10-02\\_CZ-CM-Assessment-Report-Final.pdf](https://www.mfcr.cz/assets/cs/media/Zprava_2017-10-02_CZ-CM-Assessment-Report-Final.pdf)

<sup>3</sup> Survey on the Access to Finance of Enterprises in the euro area (ECB)

The regulatory framework applicable to capital markets in Czech Republic is in large extent influenced by the EU regulatory environment, revising the existing pieces of regulation regularly and is compliant with the EU rules (no infringements against CR, no unlawful gold plating has been identified). The transposition of EU legal acts regarding capital markets is mostly covered in Act 256/2004 Coll., Capital Market Undertakings Act (CMUA). Recently the enormous amendment of Act transposing the MiFID II<sup>4</sup> directive was adopted, with impact on the provision of investment services, product governance of investment products and changes in market structures. The other laws and regulations relevant for the Czech capital market are Bonds Act<sup>5</sup>, Business Corporation Act<sup>6</sup>, Act on Management Companies and Investment Funds<sup>7</sup>, and Civil Code<sup>8</sup>. In order to comply with the regulatory changes, market participants are imposed with the additional requirements, which may seem to be inappropriate to the current needs of the capital market in the Czech Republic<sup>9</sup>.

In April 2019, an amendment to Capital Market Undertakings Act came into force. Among other things, the amendment makes it easier for issuers, especially from among small and medium sized enterprises, to enter the capital market. Another objective of the amendment is to simplify the conditions for the publishing and approving of prospectuses, which frequent issuers will find especially beneficial. The amendment also shortens time limits for approvals by the relevant authorities for capital market supervision.

Placing of the financial instruments issued by SMEs may be conducted either by the investment firm directly, or its distribution network - investment intermediaries or tied agents. Investment intermediary is non-MiFID provider of investment services providing investment advice and reception and transmission of orders. The business and sales activity of the investment intermediaries, mainly focused on the retail (non-professional) clients without proper knowledge and experience with high risk of mis-selling, was limited by recent regulatory changes, based on which they are allowed to market bonds only with a prospectus.

The regulatory environment related to the SMEs support is to large extent influenced by the Action Plan issued by the European Commission within Capital markets union Initiative. The Action Plan is to be completed by 2019 aims at provision of new sources of funding for SME businesses and reducing the cost of raising the capital. Generally, the CMU initiative is supported by both, MoF and CNB with special focus for balancing the increase in SME issuances and protection of retail investors.

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<sup>4</sup> Directive 2014/65/EU of The European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

<sup>5</sup> Act 190/2004 Coll., on bonds. Bonds Act represents a civil law rules applicable to bond issuance. A requirement for authorisation of an issue by the supervisor has been deleted from the law in 2014 in order to increase the issuing activity.

<sup>6</sup> Act 90/2012 Coll., Business Corporation Act

<sup>7</sup> Act 240/2013 Coll., Act on Management Companies and Investment Funds

<sup>8</sup> Act 89/2012 Coll., Civil Code

<sup>9</sup> Over the last few years, the market participants have also been required to comply with the requirements of EU regulation EMIR, MAR, MiFID, Benchmark regulation, PRIIPs, SFTR, CSDR and other requirements adopted locally such as central register of contracts, central evidence of accounts)

Decrease of dependence on the bank financing and development of capital market financing of SMEs is one of the main goals of MoF. The active approach of MoF is demonstrated by incorporation of measures supporting the development SMEs in its National Strategy for the Development of the Capital Market in the Czech Republic 2019–2023. Overview of all key measures presented in National Strategy for Capital Market Development is presented in subchapter 1.3.7.

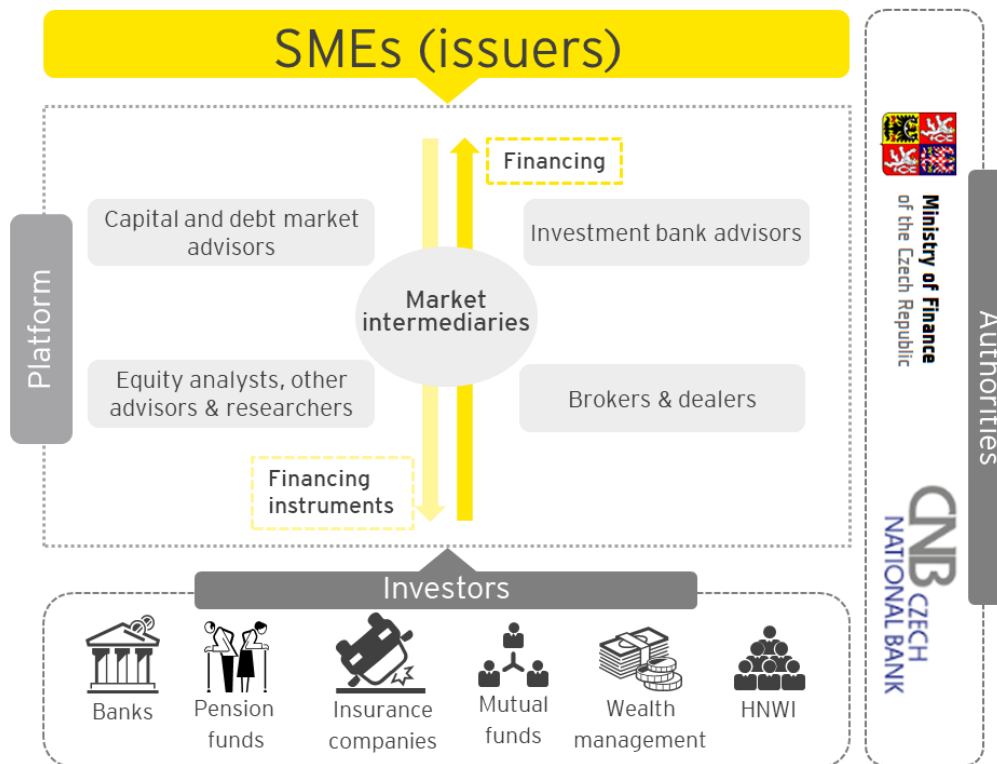
### 1.3.5 Capital markets participants – identification of target groups

Based on the scope of the Project and discussions with MoF following target groups were defined for the purpose of identifying the information and communication gaps between target groups in the Czech capital market:

- a) Issuers
- b) Market Intermediaries (“Intermediaries”, “Capital market intermediaries”)
- c) Investors
- d) National Authorities

The overview of the Czech capital market ecosystem and the relations between defined target groups is outlined below.

**Figure 1: Czech capital market ecosystem**



Source: EY

### Issuers – entities seeking for the financing of their operation

In the European Union, 99% of businesses are small and medium sized companies.<sup>10</sup> The European Commission defines the SME based on staff headcount, turnover and balance sheet total into the three categories – micro, small and medium enterprises. The last one builds the border of SME with the limits of (has to be less than) 250 employees and EUR 50m Turnover or EUR 43m.

Moreover, the definition of small and medium sized enterprises is provided in various EU legal acts with the impact on the capital markets and provision of investment services. For example MIFID II art. 4 (13) provides

*‘small and medium-sized enterprises means companies that had an average market capitalisation of less than EUR 200 000 000 on the basis of end-year quotes for the previous three calendar years;*

Prospectus regulation – Art. 2 (f) includes within SMEs any of the following enterprises:

*‘companies, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: an average number of employees during the financial year of less than 250, a total balance sheet not exceeding EUR 43 000 000 and an annual net turnover not exceeding EUR 50 000 000’.*

In this Report, SMEs are defined in accordance with the categories of EC as this definition is the most detailed and provides the room to differentiate between the various categories of SMEs and to conduct the analysis in more detail as the information and communication gaps may differ across the SME sector.

### Market intermediaries

The entities acting as an intermediary on a link between issuers and investors to a financing transaction are on the Czech capital market represented by several types of entities, providing on one hand the independent platform for connecting supply and demand, on the other hand intermediation of investments through the different roles or involvements.

Local ecosystem provides various possibilities for issuers to raise capital. As of 2017, there were 67 investment firms authorized by the Czech National bank. The overview of intermediaries is stated in the table below:

**Table 3: Overview of intermediaries**

Authorized providers of investment services composition	Number of firms
Domestic banks	13
Domestic Non-bank investment firms	20
Branches of foreign banks	15
Branches of foreign Non-bank Investment firms	19

<sup>10</sup> As stated on: [http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

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Source:

[https://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/supervision\\_financial\\_market/aggregate\\_information\\_financial\\_sector/financial\\_market\\_supervision\\_reports/download/fms\\_2017.pdf](https://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/supervision_financial_market/aggregate_information_financial_sector/financial_market_supervision_reports/download/fms_2017.pdf)

The domestic bank intermediaries represent only 20% regarding the number of investment firms, however the clients assets held the amount of 76%. The figures support the outlined composition of the Czech bank-centric system and dominance of the banks also in the area of provision of investment services.

Besides the entities listed above, there are other entities performing the function of market intermediary.

- a) Investment crowdfunding platforms
- b) Information portals
- c) IPO market for SMEs

The impact of crowdfunding platforms is growing. The crowdfunding platforms established in Czech Republic operate on the different business models, mostly based on rewards for investors, without any securities provided. For the purpose of this Report, the reward business model are not considered to be relevant for the determination of target group as it does not represent the either debt, equity or quasi-equity investment into the company.

The investment crowdfunding platforms suitable for further analysis combine the crowdfunding principles with the investment into the particular projects of SMEs through the debt instruments or convertible debts enabling the participation on the limited liability company. As the investments into the projects are actively marketed providing the information on the financial instruments and the conditions for their acquisition, the required authorisation under the MiFID II/CMUA rules has to be obtained from the Czech National Bank.

On the other hand, there are the platforms on the market fulfilling the role of information and advertising field, not providing the investment services. The platform directly connects potential investors with particular issuer based on the selection of investor. Later, the agreement is concluded directly between the investor and the issuer without involvement of the platform. The activity of the platforms operators does not meet the characters of public offering<sup>11</sup>. Therefore, the authorisation of the regulator is not required.

**IPO market for SMEs (START Market)** is a market of the Prague Stock Exchange operating as a multilateral trading facility. The market is branded as a market for smaller innovative businesses with a valuation of between €1 million to €80 million<sup>12</sup>. The market allows a minimum investment of about €4,000. IPOs for SMEs on the START market takes place for 20 minutes four times a year (START DAYS). The trading is

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<sup>11</sup> The conditions are determined pursuant to art. 34 Act 256/2004 Coll., Capital Market Undertakings Act

<sup>12</sup> For more information, see: <https://www.pse.cz/en/trading/markets/start-market/>



conducted in the form of auction once a month<sup>13</sup> in the predetermined days.<sup>14</sup> To date, there are 5 companies placed and more than 70 in the preparation process of entering the market<sup>15</sup>.

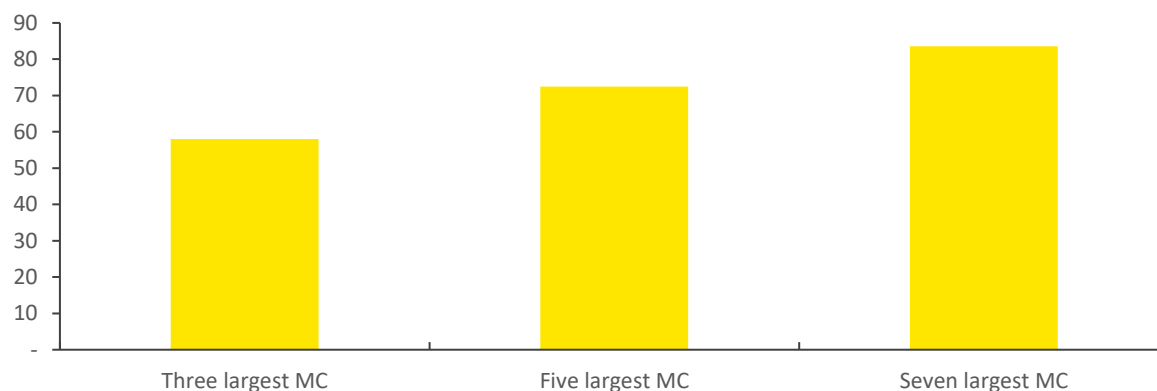
### Investors

The group of investors who commit their capital into the SMEs issuances is broad and basically differs in accordance with the way and volume of the investment. There is no direct limitation by law of the investors, however it is expected the investors are categorized based on their knowledge and experience related to the particular financial instruments in order to be able to assess the risk<sup>16</sup>.

For the purpose of this Report, the attention is raised to the institutional investors, who are professional market participants and may benefit from proposed Communication Strategy. To the group of professional investors belongs asset management companies, investment funds, pension funds, eligible to invest in the financial instruments issued by SMEs in considerable amount.

In the end of December 2018, there were 31 asset management companies authorized operating on the market<sup>17</sup>. However, regarding the assets managed, more than half of the collective funds were concentrated within the three largest asset management companies in 2017, and even more than 80 % market share was represented by seven largest players. As the investment targets may differ across the “big players” and smaller management companies, the interviews and research conducted includes the investors from both groups.

**Figure 2: Management companies (MC) market share in 2017**



Source: CNB Financial Market Supervision Report (2017)

<sup>13</sup> In 2018 (the first year of operation of START market) the trading days takes place the same dates as START DAYS. From 2019, in order to increase the liquidity of the listed equities, the number of auctions increased to 12 times a year.

<sup>14</sup> For more information see: <https://www.pse.cz/en/trading/markets/start-market/>

<sup>15</sup> Interview with the START market Coordinator, January, 4, 2019.

<sup>16</sup> The client categorisation follows the rules stated in art. 2a -2d of CMUA. Qualified investors are defined in art. 272 of AMCIF

<sup>17</sup> For details please refer to the Lists of registered institutions and market entities available on: [https://www.cnb.cz/en/supervision\\_financial\\_market/lists\\_registers/](https://www.cnb.cz/en/supervision_financial_market/lists_registers/)

## National authorities

The main Czech authorities either regulating or fostering local capital market and SMEs capital markets literacy includes:

**Ministry of Finance** is in charge of creating the legal framework for the Czech capital market. MoF is involved in active support of capital market financing by SMEs, involving the measures aimed at encouraging SMEs to enter the capital market in its current National Strategy for Capital market Development.

**Ministry of Industry and Trade** has leading role in the field of promotion of small and medium- sized companies. The ministry is involved in Business and Investment Promotion in the areas of Manufacturing Industry and of Industrial Research and Development including the use of European funds.

**CzechInvest** is the investment and business development agency directed by MIT supporting its role regarding activities covering the capital market financing towards SMEs. CzechInvest focuses on providing starting companies with mentoring, funded acceleration, and networking.

**Prague Stock Exchange** is the largest organizer of the securities market in the Czech Republic, currently operating also IPO market for SMEs – START market. With regards to the promotion of capital markets to the enterprises, PSE is an active player organizing workshops and conferences, educating the CEOs and CFOs across the Czech Republic in order to increase awareness of the financing by capital instruments and promoting IPOs on the trading venues.

There are other national bodies and associations of entities operating on the market related to the activities of SMEs, however the potential of the actions held do not directly impact the activities of SMEs or follow the goal of encouragement of SMEs on the capital market.

### 1.3.6 Capital market instruments

Capital market instruments can be divided into three basic groups: (i) debt, (ii) equity, where share of the company is being transferred and (iii) other types.

For the purposes of communicating Capital Markets Literacy in the Czech Republic Project, the Project author has defined three key capital market instruments, which also happen to be the most representative and currently three most debated capital market instruments in the Czech Republic. The three instruments were also in the focus of the Project's communication. The three instruments are following:

- Corporate bonds
- Share issues on the START market
- Crowdfunding platforms and investment certificates (Other innovative/digital ways of obtaining capital)

The following subchapters contain brief descriptions of the above specified capital market instruments, including their respective advantages, disadvantages and suitable usage scenarios. The same information will also be used in the Project's communication.

Because the capital market consists of tens of different instruments or combinations of these should and will be mentioned in the campaign. However, to keep the campaign as simple and understandable as possible, such instruments will not be described in detail. Providing enough information and education in this area will be part of the responsibilities of intermediaries once approached by a company interested in capital market financing.

### ***Box 1: Overview of Capital Market Instruments***

#### **Debt**

- Corporate bonds
- Mezzanine

#### **Equity**

- Public placement (IPO)
- Private sale
- Business angels
- Venture capital
- Private equity

#### **Other innovative/digital ways of obtaining capital**

- Debt crowdfunding (e.g. Půjčméfirmě, Symcredit)
- Equity crowdfunding (e.g. Fundlift, Investor, Crowdberry, Peněždroj)
- Rewards/donations-based crowdfunding (e.g. Hithit, Startovač)

### **Corporate bonds**

Corporate bonds are debt instruments issued by private companies. A bond establishes the holder's right to request the repayment of the owed amount and the issuer's obligation to make that repayment. The investor gains interest paid regularly or in the form of a discount realised upon repayment of the principal at maturity. Bonds most often attract institutional investors, such as banks, insurance companies or mutual funds, who purchase bonds for their fund portfolios which are offered in turn to their clients in the form of units. Bonds can also be purchased by retail investors.

#### *Advantages and disadvantages*

Advantages include the possibility of raising more debt funds than in the case of a bank loan, the elimination of regular repayments impacting cash flow and a fixed interest rate that eliminates the risk of rate fluctuations. The provision of security is usually not required.

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Disadvantages include an increased administrative burden and costs associated with a bond issue and reporting and notification obligations. At maturity or in the case of an early repayment, the issuer may need to refinance the debt, something which carries associated market risks.

### *Instrument suitability*

A standard corporate bond is suitable for companies that cannot rely on bank loans, either due to high levels of existing debt, because they are considered too risky for banks, or because they lack the necessary track record. Another reason to opt for a bond issue is to raise finance for an investment that will generate revenue later rendering the issuer unlikely to be able to manage standard bank loan instalments. An attractive business story can be an advantage for a bond issuer.

### *Share issues on the START market*

START is a stock market dedicated to smaller, innovative companies looking to raise additional capital or companies whose owners intend to reduce their shareholding or sell it altogether. START operates under the Prague Stock Exchange (PSE). Trading on START is not continuous in the fashion of other stock exchanges but takes place in the form of auctions on pre-set dates (START Days). Once the auction closes, the issuer determines the final share price as well as the number of shares to be issued, the total capital raised and the number of new shareholders.

Share subscriptions take place three to four times a year while the trading of outstanding shares takes place once a month. The START market is designed for companies valued at between €1 million to €80 million.

A share issue includes the issuer's presentation on the START Day, an analysis by an approved, independent analyst, a prospectus that is subject to approval by the Czech National Bank, and the subsequent releasing of annual reports as well as any information impacting the share price.

### *Advantages and disadvantages*

The START market offers the opportunity to raise additional capital through the issuing and sale of new shares in situations when the enterprise owner is not willing or able to invest more of their own funds. Investors in the shares obtain a shareholding in the issuing company and become involved in the company's long-term success. It is in the investors' interest to provide not only financial backing but also their knowledge, experience and contacts for the benefit of the enterprise.

On the downside, investors seek to compensate the higher degree of risk with higher returns on their investments over the long term, making this form of financing quite expensive for the enterprise. With an issue of additional stock, the existing owner or owners forfeit some of their control over the company and a proportion of future profits.

### *Instrument suitability*

A public offering of stock is suitable as a way of raising additional capital for enterprises that wish to expand rapidly while avoiding the burden of regular bank loan instalments. Investors in the stock become involved in the enterprise's long-term success. Should the enterprise face difficulties, investors can also be more flexible than creditors who seek to recover their loans. The sale of company stock can also be a suitable solution for enterprise owners wishing to sell up or reduce their shareholding.

### **Crowdfunding platforms**

Crowdfunding is a form of financing that relies on larger numbers of small investors contributing towards a target amount to be raised for the funding of a particular project. In the case of enterprise financing, crowdfunding can assume the form of a loan, the sale of a shareholding in the company with investors accepting a greater risk and expecting greater returns, or a combination of the two (or investment certificates in the case of crowdfunding platform Fundlift).

The process usually takes place online, on various crowdfunding platforms. The more popular ones include Fundlift (loans, investment certificates, shareholdings), Půjčmefirmě (loans), Symcredit (loans) or Invester (shareholdings). To initiate a crowdfunding project, it is necessary to determine the target amount required for the realisation of the intended project. Investors are usually refunded if the target amount is not reached. Target amounts most often range in units of millions of crowns, with loan terms usually being up to five years.

### *Advantages and disadvantages*

Crowdfunding may make financing available to companies that lack the track record required by banks (typically start-ups). For successful crowdfunding, an attractive project is more important than a proven history. Crowdfunding also lets companies test the quality of their innovation. Innovations unlikely to find eventual customers will probably fail to attract enough investors or reach the target amount and the project can be abandoned in good time.

Disadvantages of crowdfunding lie in the demanding nature of project preparation and campaigning to promote the project, high fees charged by crowdfunding platforms for their mediation services, and the need to attract considerable numbers of investors.

### *Instrument suitability*

Crowdfunding is a modern alternative to traditional sources of financing, suitable for start-up businesses, and fast-growing and innovative enterprises in general. It can also serve a secondary marketing purpose and raise general awareness of an enterprise on the rise.

### **1.3.7 Key measures in support of enterprises and capital markets literacy**

Neither shares traded on the stock exchange nor bonds play a sufficiently important role in the financing of enterprises, making SMEs overly dependent on funding via retained profits and bank loans. Below find

key improvement measures proposed by MoF as stated in the National Strategy for the Development of the Capital Market in Czech Republic 2019–2023.

### Specific measures proposed

- a) It is necessary to raise awareness of the benefits of funding through the capital market, especially among financial managers of small and medium sized enterprises. A survey<sup>18</sup> commissioned by the Chamber of Commerce of the Czech Republic (HK ČR) and the Association of Small and Medium Sized Businesses and Self-employed Traders of the Czech Republic (AMSP ČR) found a lack of awareness of the capital market and its potential benefits among company managers and financial directors as well as among potential issuers. Potential issuers continue to prefer bank loans, even in situations where using the capital market would make better economic sense. It is therefore necessary to devise a suitable Communication Strategy to help financial managers to learn how to identify and utilise the most efficient ways of securing finance in line with current trends (such as green and sustainable financing).
- b) It is also essential to improve conditions for business angels in the Czech Republic. These investors in early-stage start-ups can be a source of “clever and patient” capital as they often possess extensive personal business experience and rich networks of contacts. In many countries, business angels, or angel investors, rank as the second most important source of external funding for early-stage start-ups, behind only funding from family and friends. Business angels play a significant role by providing venture capital that often gets innovations and technological advancements off the ground. Planned activities in this area include:
  - i. Collection of data on business angels’ investment activities;
  - ii. Analysing taxpayer registers in order to identify potential business angels;
  - iii. Analysing the demand side by mapping start-up founders and start-up entrepreneurs;
  - iv. Establishment of a national association of business angels that would become a member of Business Angels Europe;
  - v. Implementation of a system of self-certification for business angels in the Czech Republic.
- c) An investment crowdfunding platform Fundlift has been in operation in the Czech Republic since 2016. The platform seems to be quite successful. Its sphere of business is one of the topics to be examined in detail, namely in terms of investor protection to promote trust in the country’s capital market. Plans include an analysis of possible ways of ensuring further development of investment crowdfunding in the Czech Republic, including the proposing of suitable measures.
- d) The capital market options available to limited liability companies just starting out are practically limited to bonds, while joint-stock companies are required to raise comparably high share capital (CZK 2m). That is why introducing a simpler form of a joint-stock company will be contemplated to facilitate simplification of the whole process and reduce the share capital requirement. Similar strategies have been put in place in Slovakia and Poland.
- e) To attract foreign investors to the Czech capital market it is essential that enterprises publish information in English.

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<sup>18</sup>Source: <http://amsp.cz/66-pruzkum-amsp-cr-vyuzivani-online-technologie-pro-podnikani-2/>

- f) Businesses listed on regulated markets are required to comply with the International Financial Reporting Standards (or “IFRS”), while they must also follow Czech accounting legislation for domestic tax purposes. It would therefore be worth considering approximating Czech accounting regulation to the IFRS and examining the possibilities of using the IFRS for income tax purposes.
- g) To facilitate easy measuring and benchmarking of corporate governance, the development of a corporate governance scorecard has been contemplated. It would enable straightforward comparisons between enterprises in the Czech Republic and other OECD countries while also facilitating the monitoring of a range of indicators and their development over time.
- h) Better and simpler liquidity management requires a more developed money market where short-term debts and companies’ receivables are traded. Companies that face liquidity issues usually look to banking products for solutions (e.g. revolving credit) even though there is room for greater development in factoring. In 2017, only 2 percent of the biggest factoring companies were non-banking entities. A more developed money market would reduce the costs of short-term liquidity and could contribute to improved quality of liquidity management.

#### **1.4 Methodology used for the information and communication gaps analysis of the Czech capital market and international Best Practices identification**

The analytical basis for this Report were: literature review, published data sources on SME activities on capital markets across the Europe and international practices used to promote and communicate the possibilities of the financing on the capital markets. To supplement desk-based research findings with current market observation, the qualitative research and quantitative interviews were conducted.

Desk-based research included:

- a) Review of literature that focus on analysing the financial literacy of SMEs in the European countries and particularly in the Czech capital market ecosystem.
- b) Overview of the international practices applied in other relevant countries in order to encourage the SMEs to use the capital markets instruments for financing instead of traditional bank financing.

For the analysis of financial literacy of SMEs data sources from European Commission (EC) and World Bank reports were utilized, together with a number of local surveys and reports produced by government and other institutions. The sources used for the literature review are set out in the Annex 1.

For the selection of international practices relevant markets were assumed to be European countries because European capital markets provide sufficient overview of different levels of development in these markets in member states, different level of financial literacy of its participants and various initiatives aiming at improvement of SME financial literacy. The research focuses on the countries with lower usage of capital markets instruments by SMEs, the initiatives used for promotion of such financing, analysis of the tools used and their success rate.

Analysed papers describe the policies used. Below examples of policies used are listed:

- a) Workshops and seminars for the representatives of SMEs;

- b) Online tools providing general overview of the financing and guidance on how to proceed the financing through the capital markets;
- c) Platforms gathering the both sides of the market, the investors and issuers.

Unfortunately, there is a difficulty to assess the rate of succession of these practices as the description not always includes the current data describing the situation and on the other hand, the conditions in every country may differ. The analysis of practices is conducted from the point of relevance to the Czech capital market and from the Communication Strategy point of view.

In order to conduct the qualitative and quantitative research on Czech capital market related to SMEs, the target groups of market participants were defined as follows:

- a) *Issuers seeking for funding* – small and medium enterprises, classified according to the following categories:

**Table 4: SME distribution**

COMPANY CATEGORY	STAFF HEADCOUNT	TURNOVER	BALANCE SHEET TOTAL
MEDIUM-SIZED	< 250	≤ € 50 m	≤ € 43 m
SMALL	< 50	≤ € 10 m	≤ € 10 m
MICRO	< 10	≤ € 2 m	≤ € 2 m

Source: [http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

All three types of categories of SMEs are comprised in the study with special focus on the medium-sized and small companies and start-ups with certain potential as a representatives of the micro companies.

- b) *Market intermediary* – Professionals in the financial market taking part in placing issued instruments on the market such as investment advisors, non-bank and bank debt & equity market teams, private bankers, etc. The group of intermediaries covers also investment-crowdfunding platforms, information and advertising platforms aimed at promotion of issues and the IPO market for SMEs operating within the Prague Stock Exchange.
- c) *Investors* – subjects who commit capital with the expectation of financial return. For the purpose of the study, the target group covers institutional investors, analysts and portfolio managers of large asset managers in Czech Republic, in particular. The retail investors and assessment of the level of their capital markets literacy is not included in the study as it is subjects to other initiatives
- d) *National authorities and bodies* - Czech authorities either regulating or fostering local capital market and significant association of entities connected to this market, the study namely covers Ministry of Finance, Ministry of Industry and Trade, Czech National Bank and CzechInvest as the main bodies influencing capital market financing of SMEs.

Qualitative interviews were conducted with the main public and private stakeholders from the Czech capital market ecosystem (see Figure 1) with a purpose of identifying their perception of the Czech capital market for SMEs, engagement of SMEs as issuers, SMEs motivations and possible barriers to enter the



market and process relating to financing through the different platforms. The interviews were aimed to understand the framework conditions governing/supporting the capital market and suggestions for improvements.

The interviews were held with the representatives of following stakeholders:

- a) Market intermediaries including the investment-crowdfunding platforms operating on the market;
- b) Institutional Investors and portfolio managers;
- c) Selected national authorities.

Quantitative questionnaire research was conducted with applied to the private stakeholders from the Czech capital market ecosystem. The purpose of the questionnaires is to identify the information and communication barriers in financing on the capital markets on the side of SMEs, the level of their preparation and motivation to enter the capital market and to provide the overview of interest of institutional investors to invest in the instruments issued by SMEs.

The questionnaires were differentiated for the following group of stakeholders:

- a) Small and medium enterprises
- b) Market intermediaries including the crowdfunding platforms operating on the market
- c) Institutional Investors and portfolio managers;

Approach used in individual questionnaires for each group is further described below:

- a) **The SME questionnaires** inquires on the knowledge and previous experience with capital market instruments regarding equity, bonds and quasi-equity financing<sup>19</sup>, motivation of the entities to enter the market as an issuer and obstacles in the process they see. Questions in the questionnaire vary based on the fact, if SME was engaged in the financing on the capital markets previously or not. The sample of SMEs approached was selected from the client database of EY, START and from the clients of market intermediaries we have interviewed in order to cover all of the groups of SMEs defined in the Table 4. Questionnaires were addressed only to SMEs operating on the Czech capital market with local ownership. The inquired questions are outlined in Annex 3.
- b) **The market intermediaries' questionnaires** follow the aim to identify the view on the current market conditions, the sufficient number of issuances eligible to attract the investors, the motivation of the SMEs and obstacles to use the services of the intermediary and the marketing strategies addressed to potential issuers by the intermediary. The selection of intermediaries covers bank and non-bank institutions, investment crowdfunding platforms, the IPO market for SMEs and information and advertising platforms for promotion of SME issuers. The questionnaire is standardized for all the selected intermediaries. The overview of questions is attached in Annex 4.
- c) **The investors' questionnaires** were inquired with the purpose to identify their interest in financial instruments issued by SMEs, motivation to invest into these instruments and obstacles which hinder them from investing. The standardized set of questions is outlined in Annex 4. The group of interviewed institutional investors consists of the main management and pension companies operating on the Czech capital market as a part of international holdings/groups together with the representative of local institutional investor.

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<sup>19</sup> These instruments were defined for the purpose of SME questionnaires.

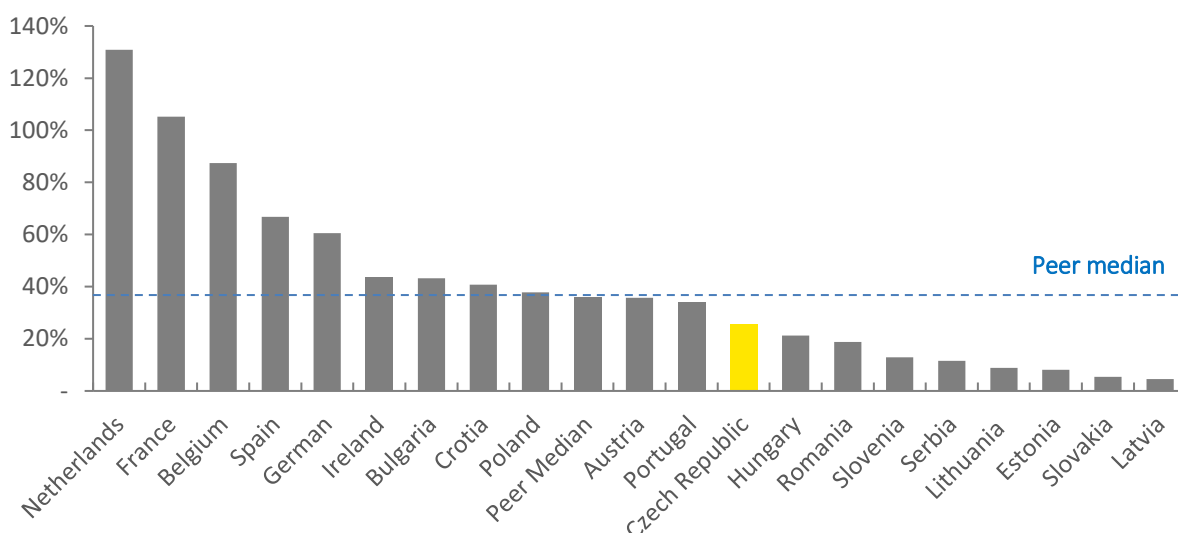
## 2 Information and communication gaps of the Czech capital market

Following chapter is dealing with the analysis of the information and communication gaps at identified target groups of the Czech capital market ecosystem. All analysis and researches in this chapter were conducted in the period closely preceding submission of preliminary report in the beginning of 2018 with the then most up-to-date data available.

### 2.1 Potential barriers and communication gaps identified at SMEs in the Czech Republic and comparison with its European peers

There are large gaps between individual members of European Union given in particular by historical political distribution of Europe on East and West, as well as by sooner/later entering to the European Union. When compared to EU average Czech capital market is of a small significance. Czech capital market might be considered as one of the leading countries along with Poland if related to Eastern-European countries (based on the chart below).

**Figure 3: Local stock exchange market capitalisation to GDP in EURbn for 2017**



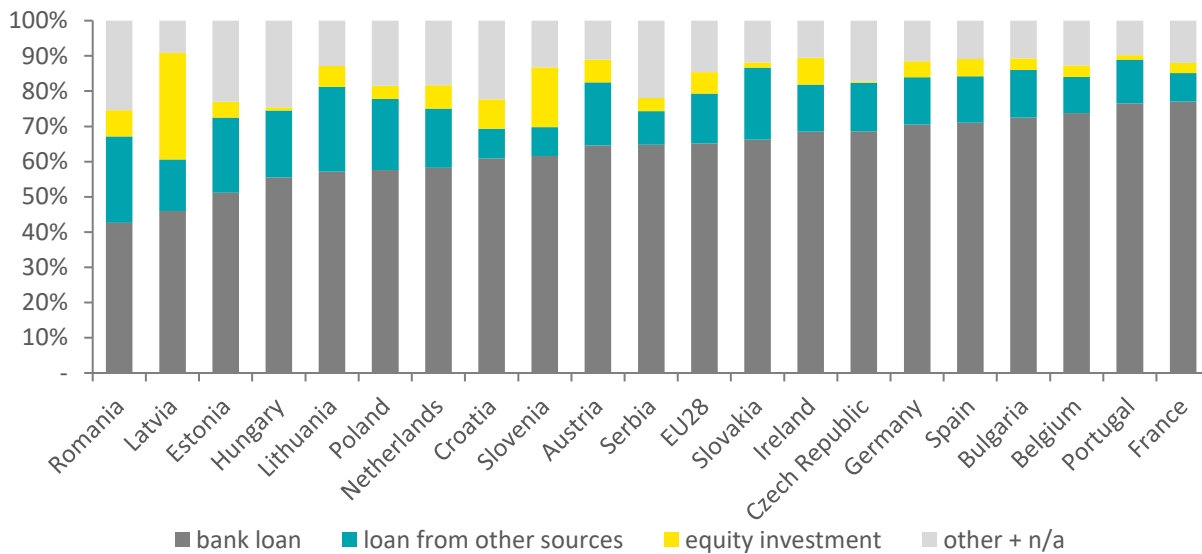
Source: Market capitalisation data available on: <https://www.ceicdata.com>, Eurostat Database

Focusing more closely only on SMEs, capital market instruments are not placed among favourite sources of funding. Capital market instruments are considered rather alternative sources of finance (as presented in the next chapter), which is the problem in the whole Europe and also a reason, why European Commission fosters growth of alternative financing and accessibility of capital markets for SMEs' through the Capital Market Union. The aim is to break down the information barriers that stand between SMEs

and prospective investors and lenders, make listing cheaper for SMEs, broaden portfolio of possible sources of financing and to raise number of IPOs in Europe.<sup>20</sup>

According to results of different statistics presented below, the SMEs in the Czech Republic are among the least active on capital markets in comparison to the selected countries. The composition of the most preferable type of external financing by SMEs is presented below with SMEs in the Czech Republic preferring financing especially through bank loans and loans from other sources (trade credits, loans from related companies, etc.), while being extremely reluctant to let equity investors into their companies in comparison to other countries.

**Figure 4: The most preferable type of external financing by SMEs**

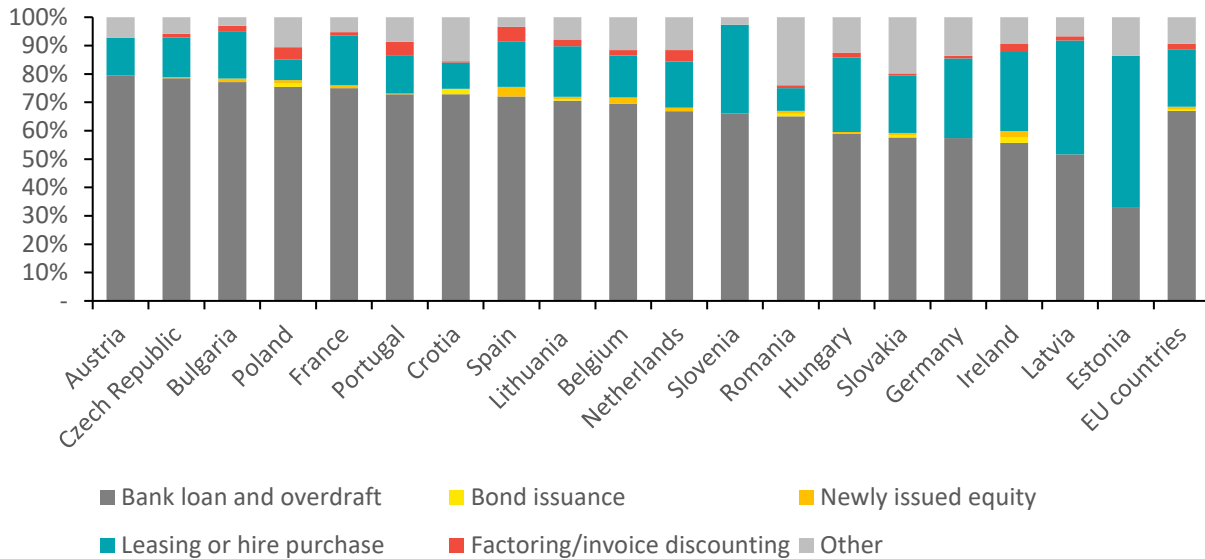


Source: European Commission, Safe report

In the next figure, results of survey conducted by European Investment Bank regarding preferred source of external finance to be used in next three years by SMEs are presented. Czech SMEs are willing to use predominantly bank loan, overdraft or leasing as a source of financing in 92% cases, while only 0.28% of respondents plan to issue new equity and 0% of respondents plan to issue bonds (compare with results of EU countries on average with 0.44% to issue bonds and 1.03% to issue new equity).

<sup>20</sup> [https://ec.europa.eu/info/sites/info/files/factsheet-cmu-mid-term-review-june2017\\_en.pdf](https://ec.europa.eu/info/sites/info/files/factsheet-cmu-mid-term-review-june2017_en.pdf)

**Figure 5: The type of external finance source SMEs would like to use comparatively more of in the next three years**

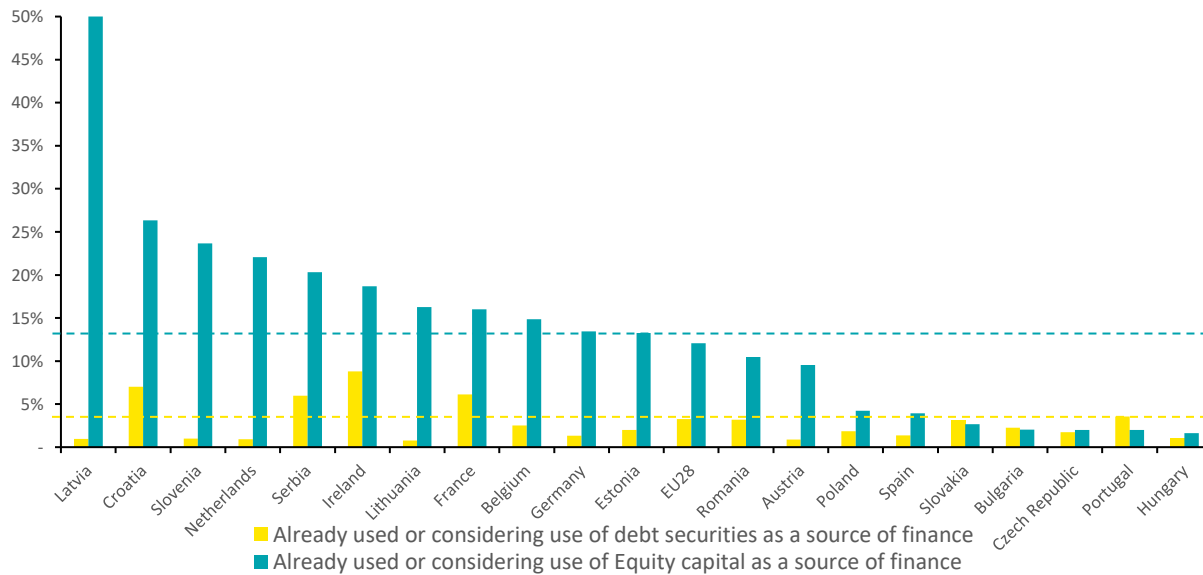


Source: EIBIS Database, 2017 data

Note: Data for Serbia is not available

In the figure below, SMEs perception of relevance of debt securities or equity as a source of financing is presented. Based on this statistic, it is evidenced that SMEs in the Czech Republic ranked below EU average, since only 1.7% of the respondents used or consider to use debt securities as a source of finance and only 2% of them used or consider to use equity capital.

**Figure 6: Are the following sources of financing relevant to the company? / Have responding SMEs used them in the past or considered using them in the future?**



Source: European Commission, Safe report

### **2.1.1 View of the key stakeholder authorities on low utilisation of capital markets as a source of funding by SMEs**

According to Czech MoF, key reason for avoiding capital market by SMEs is in particular low awareness of local entrepreneurs of possibilities of financing through capital market instruments. Another reason stated by MoF is the current phase growing of economic cycle and excess of bank liquidity along with low interest rates. Most of the companies simply do not need external sources of financing as they are able to finance themselves through retained earnings, or it is easy for them to borrow money at banks. In addition, investment activity of companies is supported by EU's subsidies.

MoF sees the solution especially in:

- a) Making alternative sources of finance through capital markets more attractive for the companies;
- b) Systematically raising awareness of possibilities and benefits of diversifying of sources of finance.<sup>21</sup>

European Commission lists some information barriers as the key reasons of capital markets' under-development related to SMEs<sup>22</sup>:

- a) Lack of financial knowledge by SMEs;
- b) Lack of recognized sources of business finance advice for SMEs;
- c) Lack of skills of SMEs to adequately present their funding case to equity investors and venture capital firms;
- d) Lack of standardised, verifiable and accessible financial information about SMEs representing a significant barrier for alternative finance providers to invest into SMEs;
- e) Unwillingness to make SMEs' information public and to bear the costs of disclosure requirements;
- f) Unwillingness to spare convenience, time and effort during finance seeking process.

There is a couple of proposed solutions to these problems stated in Commission Staff Working document – Addressing Information barriers in the SME Funding Market in the context of the Capital Market Union. Taking these measures should widen funding mix of small businesses:

- a) Broadening awareness about financing sources for diverse business needs and developing of financial skills of the entrepreneurs, raising activity of advisors complementing SMEs with monitoring and advice, better feedback providing from the side of banks on declined credit applications;
- b) Providing other market participants and alternative funding providers with data of banks about their SME clients giving them possibility to assess creditworthiness of SMEs and better decide about investment;

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<sup>21</sup> Following the National Strategy for the Development of the Capital Market in Czech Republic 2019–2023

<sup>22</sup> Following the EC's Commission Staff Working document – Addressing Information barriers in the SME Funding Market

- c) Building trust and confidence to alternative finance sector among start-ups and SMEs by introducing accreditation system for alternative finance providers.<sup>23</sup>

There are also couple of specific recommendations regarding SMEs and potential issuers in the World Bank report – Capital Market Assessment / Market Development Options for Czech Republic<sup>24</sup>, such as:

- a) Mitigation / increasing limit for issuances above EUR 1m for the abbreviated prospectus disclosure approach making the market more open to lower / middle tier issuers;
- b) Identifying potential issuers and discussing with them to understand their perceptions of the securities market and the obstacles in their usage;
- c) Educating issuers about the benefits of raising capital and listing by creating a program of workshops and training materials, in order to increase their knowledge of the process;
- d) Supporting a select number of target issuers during offerings. It could include one-on-one trainings in corporate finance, investor relations (before, during and after offerings), governance, compliance, legal aspects, and so forth.

### **2.1.2 Results of the questionnaire survey conducted on SMEs**

Based on the information stated in the previous chapters, including different findings about European and Czech capital market, opinions and recommendations, a questionnaire survey was conducted on Czech SMEs. This survey focuses on the assessment of SMEs' knowledge of capital market opportunities for funding, reasoning for preference of non-capital market instruments and obstacles hindering local businesses to use these instruments. An online-based questionnaire tool – SurveyGizmo<sup>25</sup> was used for purpose of data collection due to its flexibility of logic conditions, visual appearance and overall simplicity. For list of questions please see Annex 3.

An approximately 300 of SMEs' were contacted, with only 31 CEOs/CFOs or other management members filled the questionnaire and provided with their responses for their company.

#### **Summary of key findings**

Czech SMEs have rather low knowledge about the basic capital market instruments. Majority of respondents have not used capital market instruments as a source of financing and identify usage of own sources or bank financing as a key reason for not using capital markets instruments. Limited knowledge regarding these instruments and lack of proper guidance is prevalent between the respondents.

Bank financing is dominant source of financing for respondents because of the simplicity, lower costs and lower disclosure obligation of bank financing compared to financing on capital markets.

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<sup>23</sup> Following the EC's Commission Staff Working document – Addressing Information barriers in the SME Funding Market

<sup>24</sup> Following the report: World Bank, "Capital Market Assessment /Market Development Options Czech Republic"

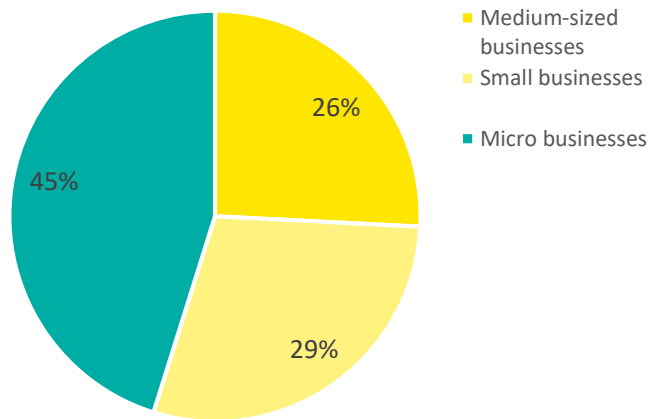
<sup>25</sup> Online questionnaire available at: <https://www.surveygizmo.com/s3/4746795/Capital-Market-Literacy>

Higher flexibility in comparison with bank financing is something that respondents see as a huge advantage, as well as good marketing as a potential accompaniment when offering the issues to public.

SMEs would use web platform for obtaining the basic information but then would prefer personal contact and professional advice when looking for specific information about important issues of financing.

In the figure below the distribution of SMEs categories is shown. Responses were obtained from various types and sizes of businesses.

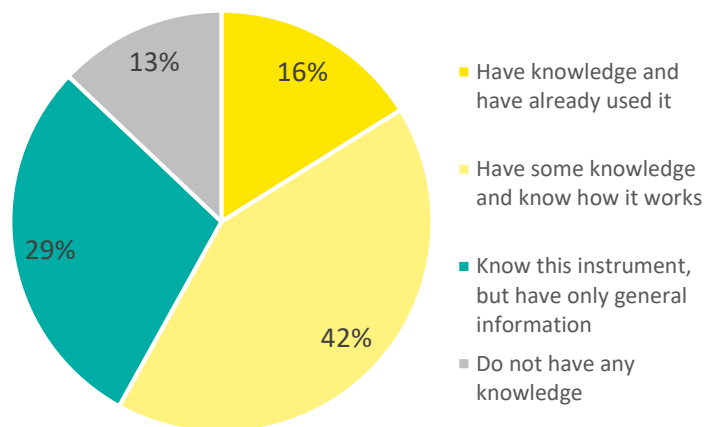
**Figure 7: Respondents distribution based on size of business**



Source: EY Survey

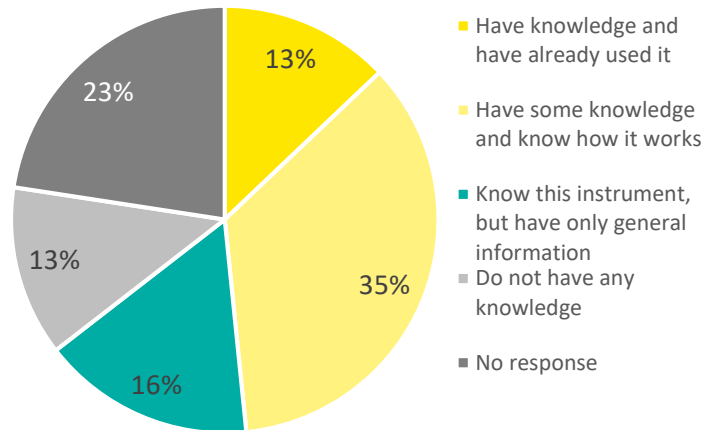
In the next part of the questionnaire, respondents were asked to describe their knowledge of three most common financing instruments on the Czech capital market: Bonds / debt securities, shares and quasi-capital instruments (convertible investment certificates). Responses are presented in the next three figures.

**Figure 8: Knowledge of respondents regarding debt securities – bonds**



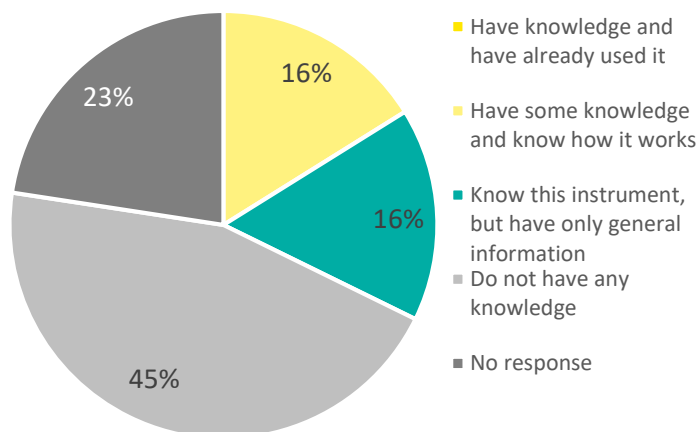
Source: EY Survey

**Figure 9: Knowledge regarding sale of equity participation in the company, such as ownership of shares**



Source: EY Survey

**Figure 10: Knowledge regarding quasi-capital instruments, such as convertible investment certificates**



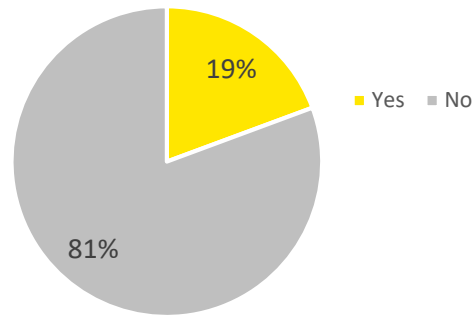
Source: EY Survey

According to figures above, Czech SMEs have rather low knowledge about the basic capital market instruments. Debt securities (bonds) are the most known among the respondents and also apparently most used in comparison with the other instruments, since 58% of respondents admit certain knowledge about these instruments and 16% have already used it as a source of financing. On the other hand, there is no experience with quasi-capital instruments.

In the figure below, there is a distribution of respondents into those having already used capital market instruments as a source of financing and those without such experience.



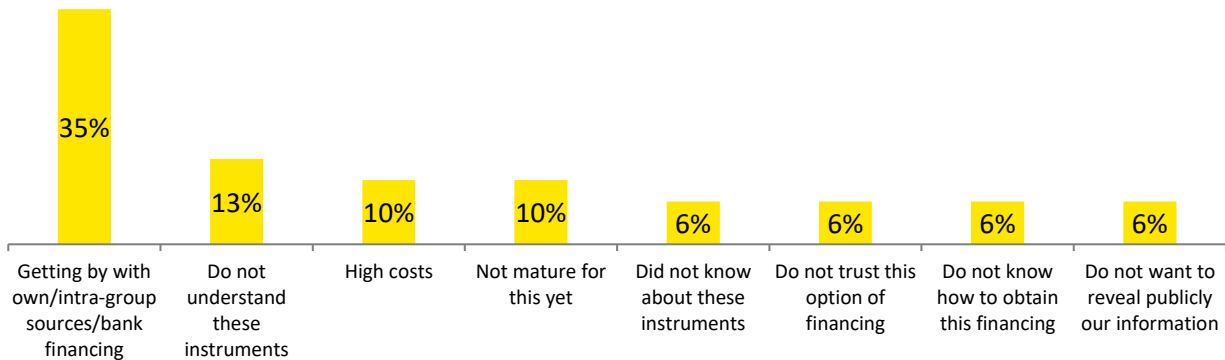
**Figure 11: Respondents having already used capital market instruments**



Source: EY Survey

81% percent of respondents have not used capital market instruments as a source of financing. In the next question, the same 81% of respondents were asked about the reasons/limitations, hindering them to use capital market instruments. Their answers are captured below.

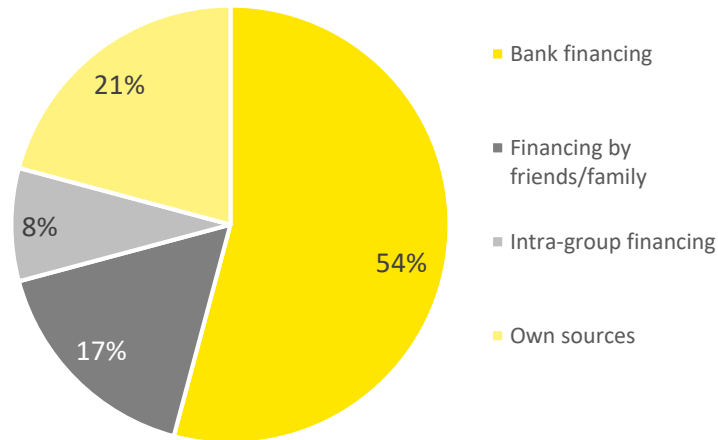
**Figure 12: Reasons or limitations hindering respondents to use capital market instruments as a source of financing**



Source: EY Survey

The majority of respondents identify the “getting by with other (more available) sources” as a key reason for not using the instruments. In addition, from the data obtained it is clear that respondents mostly have only limited knowledge regarding these instruments and they lack proper guidance. The same part of respondents was also asked to identify primary source of funding for their company.

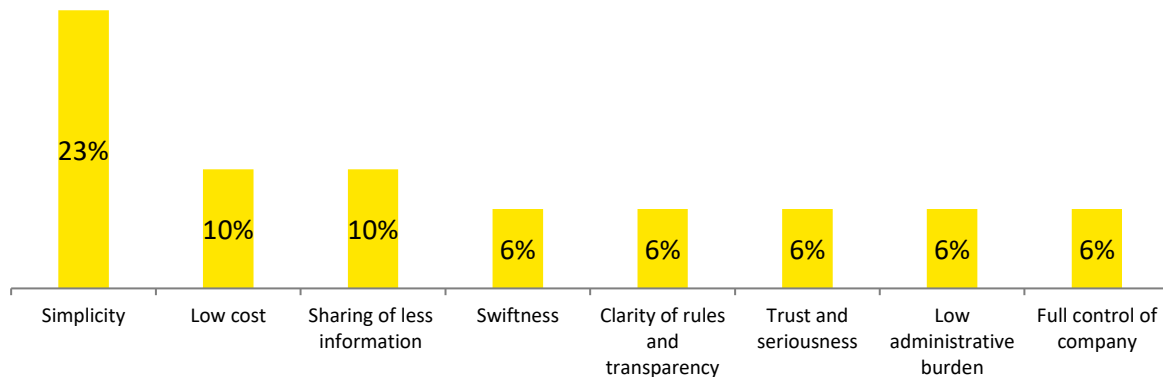
**Figure 13: Primary source of funding for respondents not using capital market instruments**



Source: EY Survey

Bank financing is dominant source of financing for Czech SMEs according to this survey. This information confirms many other surveys conducted in this matter and also confirms general expectations. For these reasons, respondents were asked what they see as a main benefit related to bank financing in the next question. Their answers are captured in the next figure.

**Figure 14: Benefits of bank financing according to respondents**

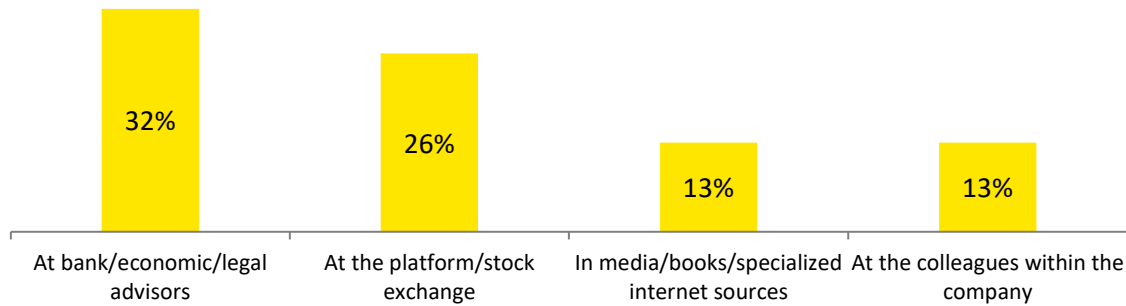


Source: EY Survey

Based on the responses visualized above, simplicity along with low cost and low disclosure obligation matter the most for the SMEs. From the amount of responses such as “simplicity”, “clarity of rules and transparency” or “trust and seriousness” one could derive that SMEs would demand a proper guidance or extremely reliable source of information before stepping into the unknown environment of capital market.

In the next question respondents were asked where they would seek for information if considering financing through capital market instruments.

**Figure 15: Sources of information if considering financing through capital market instruments**

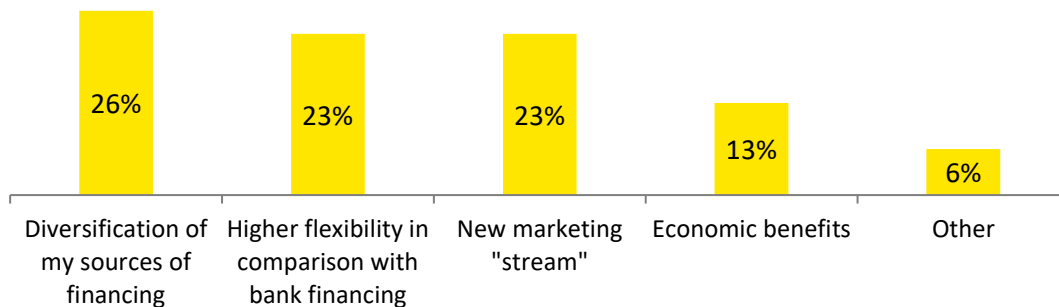


Source: EY Survey

SMEs would use platform for obtaining the basic information and then would prefer personal contact and professional advice when searching for specific information about important issues of financing.

Another question that was raised during the survey is discovering answers on what would make respondents to use capital market instruments as a source of financing, what benefits would such act have to bring to them.

**Figure 16: Potential benefits making respondents use capital market instruments as a source of financing**

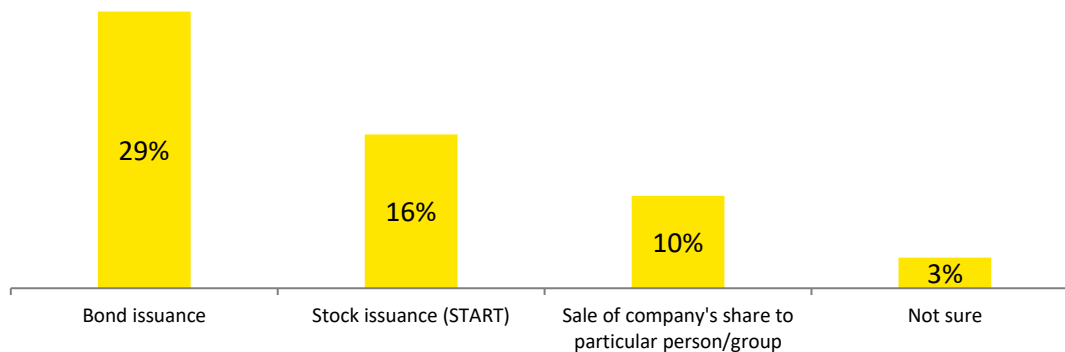


Source: EY Survey

Surprisingly, economic benefits are not key reason for the respondents to enter capital market with own issues. On the other hand, diversification of sources of financing or higher flexibility in comparison with bank financing is something that respondents see as a huge advantage, as well as a new way of marketing as a potential accompaniment when offering the issues to public.

In the last question, respondents were asked what type of financing through capital market instruments, if any, they currently find appealing. Majority of respondents finds bond issuance or IPO on START market as the most appealing (likely as these two are the most marketed in the media).

**Figure 17: Considered/appealing types of financing through capital market eventually considered by respondents**



Source: EY Survey

## 2.2 Potential barriers and communication gaps perceived by Investment Intermediaries

For the purpose to assess perception of market intermediaries about SMEs activity on the capital markets in the role of issuers and about SMEs motivation and obstacles to seek funding on capital market the interviews were held and questionnaires were completed by market intermediaries. The questionnaires were shared with following intermediaries:

- a) Conseq - debt capital market
- b) Dluhopisy.cz – online bond market
- c) Fundlift - investment - Crowdfunding platforms
- d) ČSOB – debt capital market team
- e) START - IPO market for SMEs

The section below describes key findings from these interviews and questionnaires. For the list of questions please refer to Annex 4.

Further, the section provides an overview of perceived advantages and disadvantages perceived by intermediaries of the particular services provided by them, outlines the communication means used for promotion of their services and the perceived interest of the SMEs to enter the market.

### 2.2.1 Summary of key findings

#### a) Information gaps

The supply and demand on the market is considered to be sufficient by the intermediaries.

There is wide range of instruments available for the SMEs which could be used for financing and satisfactory demand for instruments issued by SMEs on capital markets from the side of investors.

One of the reasons for preferring the bank financing instead of financing on capital markets is low understanding of the value that SMEs may gain for the company.

Conservative approach and weak awareness of SMEs as the understanding of possibilities of financing on the capital markets are the reasons for the lower activity on capital markets.

Medium sized SMEs are more aware about possibilities of financing on capital markets however this awareness is transformed into real transactions only in very few cases.

Most of the SMEs seeking for alternative ways of financing are solving specific problems which are not bankable for commercial banks like higher debt leverages, complex structures of financing or possibility to use unsecured bond financing. The independence on bank and no pledge / security requirement are perceived as main benefits for SMEs. Between most mentioned advantages for financing on capital markets are the possibility to increase public awareness of the company and PR. On the other hand, compared to bank financing, the disadvantages of financing on capital markets could bring higher administration burdens, higher costs and more reporting requirement to investors.

Based on the discussions, it is evident that intermediaries would appreciate access to the register of bank and non-bank debtors in order to be able to better assess the credibility of issuers. Creation of an independent rating agency for SMEs founded or supported by state might be a solution as well.

### **b) Communication gaps**

The marketing strategies on how to attract potential issuers of interviewed intermediaries differ.

The majority of intermediaries currently prefer passive strategy instead of active communication towards potential issuers. However, there are exceptions when the intermediary is involved in active reach out to selected enterprises or promoting the platforms on the conferences. Information about the intermediary or their particular platform are for potential issuers available on their websites, social media or the newspapers.

In order to improve the capital market activity and attract issuers, the group of intermediaries propose to conduct education of SMEs under the auspices of state and a stronger involvement of state in order to set out stable regulatory environment to ensure issuers the conditions will not change throughout the life of investment.

It is worth to mention, that intermediaries perceive the current regulatory environment as too restricting with regards to the prospectus limit, condition for entering the market and the room the regulation provides for public offering and active addressing the potential investors

### **2.2.2 Market intermediaries: Feedback from questionnaires and interviews**

Investment intermediaries assess supply and demand regarding the financial instruments issued by SMEs in the Czech Republic as sufficient. Inquiring market intermediaries on their perception of the current situation on the capital markets they generally assess the situation as sufficient to the size of Czech economy and comparable to the market in the western countries of European Union. From the point of

view of market intermediaries, the SMEs has access to the wide range of financial instruments, which may be used to finance their activities and the liquidity on the side of investors is deemed as adequate and satisfactory. On the other hand, the limitation to the supply and demand is caused by the higher risk and higher costs of financing on capital markets compared to bank financing.

The representatives of bank intermediaries indicate that the administration costs related to the public offering may be higher therefore they would not recommend such transaction to their clients and would incline to issue debt securities through the non-public offering.

Lower activity on the capital markets is influenced by conservative approach and weak awareness of SMEs. All interviewed market intermediaries confirmed that the enterprises have very weak awareness of capital market financing. The representatives of non- bank intermediaries perceive as the main reason for preferring the bank financing instead of financing on capital markets low understanding of the value that SMEs may gain for the company. Market intermediaries have declared that the awareness increases with the size of the company, however in the most cases companies are aware of the type of financial instruments, or the possibility to issue bonds but not about the processes of these transactions. This is perceived as a main reason why the awareness is not transformed into the experience on the capital markets. Very few SMEs are able to assess added value of financing on the capital markets to their business.

The main benefits of capital market financing is the independence on the banks and promotion of the business. Discussing the benefits which SMEs may see in financing on the capital markets comparing to bank financing, market intermediaries have mentioned the flexibility and independent view on the issuance, especially when the SMEs requires the solution which cannot be provided by the bank. Moreover, SMEs may be attracted, when issuing debt securities or equity, by no pledge requirement in contrast with bank financing. Another benefit is the marketing and promotion the public offering may provide to the company, in particular when the company is at the beginning of its business and it is necessary to increase its public awareness or the client base. Based on the view of the non-bank intermediaries, the SMEs are attracted by fast raising of funds and diversification of the creditor base. The IPO market for SMEs indicates also the benefit of the market valuation of the company and increase in the credibility of the company in perception of suppliers and clients.

The SMEs are discouraged from capital market financing by higher administration and related costs and transparency requirements. When inquiring on the disadvantages of capital market financing comparing to bank financing, the intermediaries observe as the crucial disadvantage the more demanding administration related to the process of financing, higher entry fees and for the debt securities offerings higher cost of financing related to the interest paid to the investors. Another issue the intermediaries perceive as discouraging for SMEs from capital market financing is the reporting requirement that SMEs should follow regarding the disclosures on business plans, organisational structure, expected cash flows or expected future expansion on the market. The negative aspect mentioned by the intermediaries operating as a crowdfunding platform is also reliance on the capital market. SMEs do not have assurance on the full placement and the time frame of the issuance. Moreover, when issuing the debt securities, it is more complicated to change the conditions of financing considering early repayment or changes in

collateral as they have to be transformed into the change of issuance conditions approved by the securities owners.

Besides the weak awareness of the possibilities of financing on the capital market, the discussion with intermediaries identified other obstacles preventing SMEs from entering the capital market. Non-bank intermediaries highlight the attempts to wrap the equity financing into the debts in order to overleverage the balance sheet of SMEs, ended up as an unsuccessful issuance. Moreover, in many cases, SMEs expect the conditions and cost to be the same or at least comparable to bank loans. As mentioned by bank intermediaries, for SMEs it may seem too committing to accept the covenants related to bond issuance, especially the limitation on debts. From the point of view of the representatives of IPO market for SMEs, the reason the SMEs do not enter the capital market is also connected to the negative past experiences with capital markets of the current generation of top management of the companies.

Most of the interviewed intermediaries are passive in their marketing strategies. Information is available on their websites. When inquiring the intermediaries, the questions aimed also on the Communication Strategy they conduct in order to attract investors. The answers vary as every intermediary follows different marketing strategy, however most of the intermediaries currently prefer passive strategy waiting for the issuers to contact them for support. Other from the interviewed intermediaries are involved in active reach out to selected enterprises or promoting the platform on the conferences. Information about the intermediary (particular platform) are for potential issuers available on their websites, social media or the newspapers. The most active in the own promotion is the IPO market for SMEs, however remaining intermediaries indicate their ambition for active Communication Strategy in the future.

Intermediaries agree on the importance of raising awareness of SMEs. Intermediaries agree on the importance on the raising awareness and education of the capital markets financing and advantages it may bring for the SMEs. Suggested idea is to conduct regular presentation of the successful projects financed on the capital markets stressing out the advantages and value added for the particular SMEs it has. Non-bank intermediaries point out to the importance of the START market in the campaign as it may be considered as an independent entity unaffected by negative past experiences, or Ministry of Finance which may provide SMEs with the recommendation to consider alternative means of financing to the bank loans.

Stronger involvement of the state in development of capital market is sought by intermediaries. The need for stronger involvement of the state is confirmed by intermediaries in the responses to the question on their view of state support of capital markets. The intermediaries indicate the importance of the stable legislative environment to ensure the issuers that the current regulatory set up will not dramatically change in the future, especially in the area of taxation. As an incentive that may attract issuers to come to the capital market, contribution for SMEs to enter the IPO market or contribution on the prospectus preparation is sought.

When inquiring on the measures how to improve the current situation on the capital market, the intermediaries refer back to the state involvement. As additional actions they would appreciate access to

the register of bank and non-bank debtors or independent rating agency for SMEs founded or supported by state which would help to assess the credibility of issuers.

### 2.2.3 Additional findings

Distinguished low interest of media to promote the capital market financing. Historically, Prague Stock Exchange is pronounced promoter of the financing through the capital market. It has been involved in numerous workshops and seminars held across the whole Czech Republic, and regularly cooperates with the media to advocate the Czech capital market through the newspapers, broadcasting or press releases. From the discussions held it appears, the interest and level of understanding of the journalists is weak, pretending from the relevant and essential information to the market participants.

The intermediaries agree on weak awareness of capital markets on the side of retail investors. When supporting the financing of SMEs on the capital markets, the importance of deeper education of retail investors should be also taken into consideration. In particular, the understanding of differences between the particular types of financial instruments in order to be able to assess the risk and inflation rate and advantages of concrete investment in the time perspective (long-term vs. mid-term investments).

The regulatory environment is considered to be restricting factor for capital market SMEs financing. Intermediaries, especially nonbank, perceive the regulatory environment to be strict both on the side of rules applicable and the supervising activity of CNB. Regarding rules the following limitations have been identified:

There are limits determining the obligation of issuing prospectus. The discretion Czech Republic applies with regards to the limit of the volume of public offerings without prospectus (1 million EUR), from the view of the non-bank intermediaries, makes the blind spot on the market as the issuances amounting to 25-120 million CZK are too costly compared to the proceeds raised. Suggested option is to set the limit higher, as it is in other European countries, preferable amount is 5 million EUR.

On the other hand, the bank intermediaries suggest increasing the limit of addressed investors in private offerings from the maximum of 149 investors in order to diversify the creditor base. Administrative costs related to smaller debt offerings of public offerings are enormous to recommend such issuances to their clients.

Overregulation in the area of investor protection. The recent changes in regulation related to MiFID II transposition into the local acts lead to increased level of the investor protection and tightening of the rules for provision of the investment advice, which hinder investment firms from active offering of SME instruments.

Investment firms are not authorized to provide such advice, and it is considered too risky to recommend the financial instruments of SMEs to the retail investors due to limited analysis they may perform.

However, without explicit recommendation it is hard to attract the investors to the SME instrument, as the investor is not aware of the issuer.

The similar situation is with IPO market for SME, acting as an independent platform, which cannot provide the recommendation for listed shares.



Absence of tax incentives for the investors. Currently, Czech regulatory environment does not provide tax benefits for investors investing into bonds and equity instruments, however this approach is common in other European countries (UK, Germany, Ireland...) as a way to encourage investors to balance the higher risk related to the bonds and shares issued by SME. Similar approach adopted by Czech government would be appreciated in order to support the Czech SMEs.

## **2.3 Potential barriers and communication gaps perceived by investors**

Investors are the subjects who commit the capital with expectation of financial returns.

For the purpose of assessing the barriers of investors precluding wider investments in capital market instruments issued by SME, the interviews were held and questionnaires were completed by institutional investors. The questionnaires were shared with following investors:

- a) ČSOB Asset Management, a.s., investiční společnost
- b) Generali Investments CEE, investiční společnost, a.s.
- c) Conseq Investment Management, a.s.
- d) Allianz pojišťovna, a.s.

The section below describes key findings from these interviews and questionnaires. For the list of questions please refer to Annex 4.

### **2.3.1 Summary of key findings**

Generally, the approach of investors differs based on the fact if the investor is part of the international group/holding, or the local investor with independent investment strategy.

The interest of investors belonging to the international group in investing in SMEs issuances is rather low and investments are rather sporadic due the internal risk approach standards applicable as they are evaluated to be too risky for the investment. The reason is the low size of bond issuances of SMEs. There are incomparably higher costs the investors have to incur regarding the analysis of the new issuer considering the minimal ticket for investments. Additionally, investment into equities issued on START market are considered not to be sufficiently liquid.

On the other hand, the latter group of investors is more active in such financial instruments, investing in both SMEs bond issuances and equities.

As the main obstacle hindering the investors from investing in capital markets instruments, the weak quality of disclosing data by SMEs, was identified. Current transparency provided is not satisfactory regarding regularity and details, especially to the extent of the expected development of the company.

In order to increase the level of investments, the whole group of interviewed investors perceive the importance of improvement in transparency of the accounting data and the organisational and capital structures of the companies. Moreover, the investor would appreciate the enhanced liquidity of the instruments and unified rules for rating the companies covered by independent association/body.

### 2.3.2 Investors' feedbacks on questionnaires

Investments in bonds or equities issued by SMEs are sporadic. Based on analysing the current status of investing of institutional investors into the financial instruments issued by SMEs, and the type of the instruments, there is a conclusion that investment activity regarding SMEs is very low in case of institutional investors which are part of the international holding/group. The local institutional investor is active in investing into the own issuances of SMEs and supports the companies through the investments on equity markets. On the contrary, for local investors it is hard to reach the SMEs bond offerings led by bank's debt and capital market teams for investments as they frequently place them within their distribution network.

Analysis of low sized bond issuances of SMEs is not considered to be cost-effective for institutional investors. When discussing the reasons for the lower activity and the matters hindering investors from investing into these instruments, the respondents agrees that one of the main reasons regarding bonds are very low sizes of issuances and high cost incurred in relation to analysis of the company. Most of the SMEs are missing rating and investors have to put a lot of effort in order to analyse and monitor the investment. The enterprises are not transparent enough and the accounting data and data on the company structure are not available to investors, which makes the investments riskier.

Currently most of the SMEs issuances amounts for approximately 1.5 % or 2% of the total portfolio managed. SME issuances are less liquid when compared to other instruments in the portfolio and it is more challenging to set their value also for the accounting purposes. As the investment of investors belonging to the international holdings/groups have to be agreed not just internally, but on the group level, inclusion of such investments is hard to push.

Equities issued by SMEs are not considered to be sufficiently liquid by the investors. For equity instruments, the situation is similar as in the case of bonds. Local SME companies are not quoted on the market and their shares do not provide sufficient liquidity. Quotes on the START market is from the view of investors, which are part of international holdings/groups, not considered sufficient as they need regular valuation of the instruments. The situation is different for local institutional investor, who is actively involved in START market and supports the development of Czech capital market.

SMEs provide the investors with low level of transparency of the data. To the inquiry on the deficiencies of the side of SMEs preventing the investors from investing, the investors agrees on the very low level of transparency regarding the accounting data. The SMEs have not sufficient history of the accounting statements, in some cases even not correct understanding of accounting standards and the data are disclosed with very low frequency or often lately after the end of accounting period. The representatives of local institutional investors perceive the companies as overleveraged and the organisational and capital structure of some companies are not always clear. Especially, the companies starting as a family business lack the due commercial care and conduct nonstandard practices regarding transactions within their business.

It appears that more transparency, increase in the liquidity and rating of SMEs are crucial for improvement. In order to enhance the investments into financial instruments issued by SMEs, the

investors would welcome the increase in the liquidity of this instruments and the measures in order to rate the companies to make the assessment easier. The investors which are part of international holdings/groups suggests also the requirement on compliance with the IFRS standards in order to increase the transparency. Moreover, they would welcome the increase of listed SME companies and the change in regulatory limitation, for investing in pension funds, in particular. The local investor would appreciate lower leverage ratio of SMEs in order to increase the supply on the market and improvement in the transparency and quality of disclosed information.

## **2.4 Potential barriers and communication gaps perceived by national authorities**

This section presents the approach of interviewed national authorities to the current situation of financing of SMEs on the capital markets, the expectations of the supervisor regarding the issuances and regulatory barriers imposed on bonds, equities and quasi-equity preventing the SMEs from entering the market. The section also describes the availability of local supporting programs for SMEs, actions conducted in order to improve the capital markets literacy of SMEs and their awareness and embracing of the alternative ways of financing.

For the purpose to understand current policies and approaches with respect to financing of SMEs on capital markets the interviews were held with following authorities:

- a) Czech National Bank
- b) Ministry of Industry and Trade

The section below describes key findings from these interviews.

### **2.4.1 Summary of key findings**

Despite the fact that the national authorities play different roles in the market with regard to financing of SMEs on capital markets as described in the Capital Market Ecosystem. Their goal is to support the issuance of financial instruments by SME entities and consequently the development of capital markets.

The current regulatory set up from the perspective of national authorities is perceived as sufficient. From their point of view, the factors having negative impact on the motivation of SMEs to enter the capital market, are not primarily the information gaps, although the low demand on the market and cost of the small-size issuances. As the CNB acts predominantly as a player, supervising the current situation on the market, perceives the question from the perspective of both, SMEs and the investors. The approach of CNB is strongly influenced by the protection of the retail investors as a weaker party on the market, while supporting the issuances of SMEs and protection of reputation of the capital market as a whole. On the other hand, the MIT is active in the provision of assistance to SMEs on the capital markets, more specifically through the initiative OPPIK (Operational Program of Business and Innovation for Competitiveness) and cooperation within European Investment Fund (EIF).

Both interviewed authorities express their interest and support to cooperation on the communication campaign related to financial literacy of SMEs and promotion of the financing on the capital markets. They perceive the need for more professional and comprehensive communication and awareness of SME

financing opportunities, including cooperation between various state institutions, business association and the use of media. As a way to increase the awareness and communicate the means of financing on capital markets and the related processes the online tool unifying all information on financing and relevant contacts is preferred.

### **2.4.2 Approach of supervising authority**

Overall, Czech National Bank as the key institution in the area of regulation and supervision, perceives rather smaller interest of SMEs for financing in capital markets which may be influenced by the regulatory set up and costs of low-sized issuances. The discussions do not reveal any particular information and communication gap perceived from the CNB perspective on the SMEs side, however discussion lead to clarifying the approach related to the current regulatory initiatives and supervisory role, when overseeing the SMEs performance on the market and offering of financial instruments to the investors.

Czech National Bank in principle support goals followed within the Capital Market Union Initiative. As mentioned above, currently the regulatory environment related to the support of activity of SMEs in the capital market is widely influenced by Action Plan issued by the European Commission within Capital Market Union Initiative. Czech National Bank sees the measures relevant and generally agrees with the principles presented in the Action Plan. However, CNB observes inconsistencies in the measures of particular initiatives of CMU where on one hand, the rules are proposed in order to reduce the administrative burdens for SMEs when issuing the financial instruments and on the other hand, the exceptions from SMEs may cause the lack of transparency on the market having in general negative effect on the other market participants, especially on retail investors.

Czech National Bank strongly distinguish the policy towards the issuances of SMEs and the investor protection when distributing the issuance. As the one goal of the supervisor is to support the sound development of the capital market and issuing activity, the main focus of the regulator when issuing the financial instruments is on the distribution, distribution network and investors to whom the appropriate level of protection needs to be guaranteed.

CNB perceives that non-qualified retail investors shall not be included in the investor base. Based on the fact that debt and equity securities supposed to be considered as a high-risk instruments, the target market for this investments shall be defined narrowly only to the investors willing to bear 100% loss on their investment. The decision of retail investors is in the large extent affected by the nominal coupon of the debt instrument without proper consideration of credit risk related to the particular financial instruments. From the investor protection point of view, CNB does not perceive any difference in the volume of the particular issue, the critical is placement to qualified investors. The CNB approach presented may have restricting impact on the debt securities issuances of SMEs and should be taken into account when suggesting the strategy for the campaign supporting the SME financing on the capital markets.

Limits for prospectus issuance exemption are satisfactory for the Czech capital market. With regards to the transparency obligation of SMEs, the differentiation of debt securities issuances to above limit and below limit of 1 million EUR is considered to be in line with the Czech market conditions, especially with respect to the financial literacy of the investors. Moreover, preferable situation from the point of

supervisor is that every issuance of debt securities is accompanied by prospectus, or at least by the summary prospectus. In case the limit would increase to more than 1 mil. EUR, the supervisor would request the SMEs to submit the simplified prospectus for the approval for all of the below limit issuances (even under the 1 mil. EUR). Proposal for amendment of the limit amount from the side of CNB is not expected.

The approach towards the distribution through the non-authorized information and advertising platforms is restrained. Currently, the activities are out of scope of CNB competences as the intermediating the contacts between issuer and investor does not fulfil the public offer requirements, however CNB perceives the risks related to investors and the negative impact it may have when defaults of the issue occur. To prevent these situations CNB supports the transparency activities as currently processed requirement for ISIN identification of bonds in case of small-size issuances and do not exclude the need for other regulatory intervention in the future. With regards to the priorities of CNB related to the investor protection, it may be predicted that the subsequent limitation will affect the direct distribution to the retail investors. With respect to the risks mentioned, the CNB approach seems reasonable.

While MoF is strongly oriented to the active support the activity of SMEs on the capital market, due to the risks outlined and in order to preserve the credibility and reputation of the capital markets it is considered to be important, that MoF itself conducts regulatory autocorrecting in the first line.

### **2.4.3 Government support programs – Ministry of Industry and Trade**

The development and monitoring of the SMEs activities on the capital market in the Czech Republic is subject of the long-term aim of Ministry of Industry and Trade involved in various supporting initiatives. The MIT tracks the activities from the perspective of start-ups and investors with the capturing the point of view of the public and small entrepreneurs regarding SMEs activities.

The MIT is active in a role of raising capital for SME conducted in cooperation with EIF.

In 2019 new funds focusing on seed investments into SMEs in their earlier stage of business will be established. The establishment is covered by the MIT action, with cooperation with EIF, within operational program OPPIK. The action aims at creation of fund of funds with investments into start-ups through venture capital funds, selected by EIF under the MIT mandate. Two new funds launching in 2019 aim to boost entrepreneurship and innovations with the lasting impact on the equity ecosystem in the Czech Republic, by increasing available equity funding for enterprises throughout the whole cycle of their early stage development. The Fund's allocation is € 40 million

MIT, through the Czech-Moravian Guarantee and Development Bank (CMZRB), invests in the Central Europe Fund of Funds, with available resources amounting € 97 million looking for investments into growth stages and later stages of start-ups. At least the same amount is expected to be collected through the private equity funds involved. In 2019, there are already two selected funds established in Czech Republic – ESPIRA and ENERN III with the first investments into SMEs realized.

Upcoming activities aim at SMEs financing on the alternative trading venues (START market). MIT is currently working on the creation of a financial instrument in the form of fund investing in IPO-eligible

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SMEs on the public trading platforms administered within CMZRB. Another consideration, following the practice in other European countries, e.g. Poland, is to support the activities of SMEs on the trading venues through the implementation of covering part of the costs of issuance (fees accompanied with prospectus preparation).

### 3 International Best Practices identification

In this chapter, relevant international practices (“Practices”) being implemented in other comparable / aspiration European countries are presented. Selected Practices were implemented by the national authorities with the aim to improve capital markets literacy of representatives (especially CFOs or managing directors) of the given country’s companies. Research in this chapter was conducted in the period closely preceding submission of preliminary report in the beginning of 2018 with the then most up-to-date data available.

#### 3.1 Relevance of Practices:

During the research for the relevant international practices, initially more than 40 different practices have been identified, being implemented in various countries around whole Europe with few additional practices in Australia, Brazil, Malaysia or India. Based on the purpose of the Project and identified information and communication gaps, following ten Practices were short-listed during the final decision making and evaluated also from the Communication Strategy point of view. Reasons for not incorporating other practices were divers. Among the most appearing ones, however, belonged especially reasons listed below:

- a) Practice aims on different target groups (individuals, families);
- b) Practice supports enhancing literacy regarding different topics (personal finance, subsidies);
- c) Practice is being performed in country with differing culture and capital market environment;
- d) During the practice provided support is not complex enough and is rather focused on helping businesses that do already have sufficient knowledge related to capital market.

Selected Practices presented below were all undertaken in European countries with focus on SMEs. Following gaps were identified within these Practices: lack of knowledge on financial reporting, lack of education of SMEs in the area of capital market funding instruments, lack of knowledge of SMEs on financing opportunities and their pros and cons, information about the right contact person, lack of proper self-promotion skills to attract investors.

Each of the Practices is described in the form of the **country** where the practice was executed, **identified gap** that triggered implementation of the practice, **facilitator of the practice** to understand which subjects were selected for execution of problem correction, **objective** of the practice to see the similarity to the purpose of our Report, which **solution** was selected for improvement or correction to better understand what kind of solutions could be used in the Communication Strategy, **description** of the initiative, **main results** to see if the selected practice was successful. Followed by evaluation of suitability from the Communication Strategy point of view with respect to delivering key topics to target groups.

#### 3.2 Characteristics of successful communication campaign

Quality communication campaign should follow these objectives for a right communication of the topic and strong impact on the target audience:

- a) Strictly defined target audience;
- b) Thoroughly identified key message for the target audience defined;
- c) Correctly chosen communication tools/channels will help to strengthen the message transferred to the defined target audience;
- d) Optimally crafted content, relevant for both the key message and the target audience, if all selected correctly, the campaign will generate organic actions from the target audience (if call-to-action is required);
- e) The campaign should be integrated, so it does not rely on one or only a few communication channels.

Below the short-listed Practices are presented. They have been chosen based on the results of information and communication gap analysis and are also reviewed from Communication Strategy point of view, with respect to characteristics of successful communication campaign.

### **3.3 Identified Practices**

Following Practices in form of projects have been identified as relevant sample practice for improving capital markets literacy.

#### **3.3.1 Young Entrepreneurs Coaching**

*Country:* Austria

*Gap identified:* Lack of knowledge on financial reporting, corporate governance, how to deal with investor due diligence requirements, etc.

*Facilitator:* The Austrian Federal Economic Chamber

*Objective:* Providing support for young companies to allow them to understand different means and types of financing solutions, which is in general in line with the objectives in the Czech Republic with difference in target group. In the CR there is need to address much broader target group – SMEs owners and management in general.

*Solution:* Consultations / training sessions

*Description:* The Chamber offers a wide range of services and products to business start-ups. Consultants advise young businesses. The length of the trainings is on average 20 hours. Consultations and coaching are highly subsidized. Actually, the Austrian Federal Ministry of Science, Research and Economics fund up to 50% of this initiative.

*Main results:* Between May 2015 and April 2016, there has been 174 consultations undertook. On average, demands come from the entrepreneur side after their second year of business operations.

**Communication expert opinion:**



Main communication tool in this campaign was a creation of a specialized position of financial advisor and an extensive training program for young entrepreneurs.

This tool allows to pass on information on the target audience in depth, identify and address the individual needs of businesses. It enables the target group to be prepared and implement financing based on their individual needs. However, its disadvantage is high demands for resources - people, time, and budget. With limited budget such tool would bring only limited result.

Due to the assumed small base of young start-up entrepreneurs in Austria, the project and the tool used might be perceived as successful. However, 174 impacted entrepreneurs confirm, that only limited number of people can be addressed with a limited budget.

**Recommendations:** Considering the significant differences in target group size, we would not recommend this practice. In the case of an extensive budget, it could be used for a follow-up part of a Project, where SMEs with explicit interest about new ways of financing need to be addressed and trained thoroughly.

### 3.3.2 Financial Literacy for Business

*Country:* Croatia

*Gap identified:* Lack of education of SMEs in the area of alternative financing instruments and especially capital market funding instruments (leasing, factoring, venture capital, investment funds, insurance), as well as inefficient cooperation between financial institutions and SMEs.

*Facilitator:* Croatian Chamber of Economy (CCE)

*Objective:* Improving access to financing for SMEs and defining parameters of future cooperation between business entities and financial institutions. Target of the campaign, especially the educational part, corresponds with the goals of the Beneficiary. Directly connecting SMEs with potential investors is also in line with the objective.

*Solution:* Event / investor's meeting / consultations / training

*Description:* The Chamber is planning to organize a series of events (consultations, workshops, seminars, roundtables, conferences) in various cities through a network of 20 county chambers. The Chamber puts in contact Croatian financial institutions and business entities (members of professional associations in eight different sectors).

*Main results:* Feedbacks from participants are very positive. The Chamber of Economy will continue undertaking these activities also in other regions. In addition, CCE will organize B2B meetings in order to define the best solutions for SMEs' individual needs.

**Communication expert opinion:**

Main communication tool was regular regional meetings connecting representatives from institutions and SMEs.

The tool is ideal for direct interaction within target group representatives, especially after engaging their interest thanks to interest-driven advertising campaigns (website, advertorials, PR). Larger target group can be reached compared to previous Austrian project. Regional conferences also allow to solve individual needs of target group, but only to limited extent.

We assume hundreds of people were reached through the campaign. We positively view networking possibilities of the project and direct interaction with the target audience. We, however, lack information, how participants were attracted to the events.

**Recommendations:** This type of communication can be recommended as very suitable after launching a mass information campaign at first. We would recommend preparing such events in cooperation with a media house having broad experience with such events or with associations of SMEs. In regional meetings with entrepreneurs, coordinator would have a direct impact on information and choice of speakers. The media partner would provide database of contacts.

**3.3.3 Financial Counsellor (“Finanzierungsratgeber”)**

*Country:* Austria

*Gap identified:* Lack of knowledge of SMEs on finance opportunities and their pros/cons, as well as their need of information about a right contact person (low investment readiness).

*Facilitator:* The Austrian Federal Economic Chamber

*Objective:* Distributing an online questionnaire to entrepreneurs in search of finance and guiding them towards the right financing opportunity. The objective here is to directly connect SMEs with potential investors, which assumes SMEs already have knowledge and are interested in financing, but lack information how to look for investors. This is not the case in the CR.

*Solution:* Online tool / interactive website

*Description:* Online tool created in Jan 2016 presenting 24 finance opportunities with pros/cons of each option and further information. It also includes information on contact persons and additional services.

*Main results:* Till June 2016, 5,923 questionnaires filled.

**Communication expert opinion:**

The tool used in this campaign is a microsite with a questionnaire identifying needs of individual SMEs. Based on the result of the questionnaire, the website offers pool of relevant contacts for investors of financial facilitators.

The tool is ideal for direct interaction within target group representatives, especially after engaging their interest thanks to interest-driven advertising campaigns (website, advertorials, PR). Larger target group can be reached compared to previous Austrian project. Regional conferences also allow to solve individual needs of target group, but only to limited extent.

The tool is appropriate to be used as a step two in the campaign, once the SMEs are educated about possibilities of finances. For informational campaign, this is not a relevant solution. The tool is the option for direct connection of SMEs with potential investors. However, high investment is expected to inform about such tool and to bring SME representatives to the dedicated website

**Recommendations:** We do not recommend this tool. The main goal is not creation of investors' database and connecting SMEs with them. In general, this tool does not work for an informational campaign, even though it can be considered as an interesting product of government institution that would benefit real interactions between SMEs and investors.

**3.3.4 Interactive business web portal**

*Country:* Serbia

*Gap identified:* Lack of information of SMEs about available sources of financing within the country.

*Facilitator:* Chamber of Commerce and Industry of Serbia and USAID

*Objective:* Offering a free-of-charge support to SMEs when starting a business, helping companies to find possible sources of financing for their investment needs, including SME state-supported programs. The campaign objective is similar as the Austrian campaign above, which is not in line with Czech needs. However, some tools used are relevant for the CR.

*Solution:* Interactive website / online tool

*Description:* The web portal poslovanje.rs works through 4 different activities: 1) Informs about all financial institutions in Serbia sorted by types (list of banks, leasing companies, microfinance institutions etc.); 2) Offers an overview of possible sources of financing, sorted by business status, type of business, location, financing need, ownership structure; 3) Proposes pedagogic material on optimizing business financing, with definitions and clarification of all sources of financing; 4) Provides SMEs with an online financial ratios calculator and cash flow forecast forms.

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*Main results:* In one year, the website improved access to finance for SMEs and recorded an average of 1,200 unique visits per month. In addition, there are on average 15 telephone consultations per month and the project is also present at most important events and exhibitions for entrepreneurs (12 events over last year with over 300 participants).

### **Communication expert opinion:**

The campaign created a microsite with relevant information, educative materials and database of contacts. Special telephone hotline was created in order to help and advice SMEs with their individual needs.

Microsite is an ideal direct communication tool for direct influence over the content published (text, video, infographics, photos, questionnaires, etc.). Campaign to bring relevant traffic to the website is, however, necessary as well. The telephone line tool is effective for direct communication and solving individual needs. For campaigns with limited budget, the tool is more effective than personal meetings or training programs.

There is no budget information for the campaign, but according to numbers provided, the results are in line with expectation.

**Recommendations:** Tools like informative microsite or telephone hotline are relevant for use in the Czech campaign. Especially telephone hotline should be an effective mean of individualized contact with SMEs, but it has to be considered to be a product of financial institution rather than a campaign channel.

### **3.3.5 Young and Innovative Forum**

*Country:* Poland

*Gap identified:* There is lack of high-level start-up events aimed at networking for investors and young entrepreneurs.

*Facilitator:* Polish National Chamber of Commerce

*Objective:* To provide financing opportunities for young entrepreneurs and to support young entrepreneurship, networking opportunities with foundation institutions, and to provide a venue for meetings and discussions.

*Solution:* Event / investor meeting / workshop / training

*Description:* Young & Innovative Forum is an event organized once a year which provides an opportunity for young entrepreneurs to network with potential investors. Young Entrepreneurs Forum is an event where young entrepreneurs have the opportunity to express their views on the legal, financial, economic and social spheres in which they

operate. The high quality of the event is guaranteed by the honorary patronage of Ministry of Development and Warsaw's City Hall.

*Main results:* This forum is one of the most popular start-up events in Poland, which includes approximately 300 young entrepreneurs at the location and an additional 15 000 online viewers. The forum has been taking place since 2011.

**Communication expert opinion:**

The main tool in this campaign is a yearly networking event.

For the needs of the Czech campaign, we see this tool as irrelevant. This yearly networking event is associated with high organisation costs. Additionally, it only addresses a limited pool of participants. Such an event is suitable for networking rather than for spreading information.

The results of the provided campaign are in accordance with our expectations.

**Recommendations:** Instead of the yearly networking event, we would rather recommend a series of regional workshops and events in order to reach audiences in different regions and have a more individualized and relevant approach.

**3.3.6 Finance Desk of Chamber of Commerce**

*Country:* The Netherlands

*Gap identified:* The lack of knowledge on SME / SMBs financing opportunities, access to finance and knowledge of alternative financing sources.

*Facilitator:* The Netherlands Chamber of Commerce

*Objective:* To provide a general overview of financing possibilities for SMEs / SMBs and to help business owners run their businesses successfully.

*Solution:* Interactive website

*Description:* The web portal includes the overview of financing alternatives for SME/SMBs with general information for the different alternatives including government funding and hyperlinks to relevant associations. The website offers tailored advice via telephone, mail or chat boxes provided by the financing desk.

*Main results:* Regarding telephone consultations, more than 16 500 consultations were provided in 2015-2017. In 45% of these cases, there were referrals for relevant public / private authorities.

**Communication expert opinion:**

In this campaign, a specialized website including an adjunct online campaign using webinars, videos, animations, tools, scans, publications, etc. is used as a tool. Additionally, a special call center has been created to answer all incoming inquiries.

It is similar to the Serbian campaign mentioned above. Microsite is an ideal direct communication tool for direct influence over published content (text, video, infographics, photos, questionnaires, etc.). A campaign aiming for bringing relevant traffic to the website is also necessary. The telephone is effective for direct communication and solving individual needs. For campaigns with a limited budget, this tool is more effective than personal meetings or training programs.

We evaluate this result positively and we expect a high investment to bring a sufficient number of SMEs to the website.

**Recommendations:** We recommend using this specialized informative microsite, but in connection with other channels like regional events, advertisement and PR.

**3.3.7 Enterprise Ireland**

*Country:* Ireland

*Gap identified:* The lack of knowledge and centralized information about grants and governmental subsidies available for SMEs.

*Facilitator:* Enterprise Ireland (governmental organisation for development and growth of Irish enterprises)

*Objective:* To provide an overview of funding for different stages of company's development, and to help businesses start, grow, innovate and gain export shares in global market.

*Solution:* Interactive website / online tool

*Description:* The web portal provides information on the different publicly supported programmes and funding schemes under Enterprise Ireland (EI) responsibility, and on the European Regional Development Fund. It allows companies to select from the range of funding support options that best reflects their stage of development and specific funding needs (i.e. high-potential start-ups, SMEs or large companies). Companies are assigned a project executive to discuss their business needs, growth plans and, where appropriate, any needed support available from Enterprise Ireland. The web portal has an information store providing general information. Topics include, but are not limited to, business plan templates, registration and employment information, market access guides, incubation space and sources of private investment, notably of equity finance (business angels, venture capital etc.).

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*Main results:* There is added value in an easy-to-use online guide with an overview of grants and subsidies for any particular enterprise (before EI, information was spread among 34 websites). In 2016 EI financially supported 229 start-ups, invested in 101 new high-potential start-ups, and approved 128 new early-stage businesses. Since its start in 2014, it registered over 104 000 sessions and has 3 000 unique users per month.

### **Communication expert opinion:**

The main communication tool in this campaign was the creation of a specialized website including an adjunct online campaign using webinars, videos, animations, tools, scans, publications, etc. Additionally, a special position has been created to discuss all incoming inquiries.

This website is a perfect direct communication tool, where the communicator can publish their own content, over which they have direct control (text, video, infographics, photos, questionnaires, etc.). It is also necessary to combine these tools with an information campaign to support traffic on the website. Creating a new position of a project executive is specific to the needs of the campaign in relation to promoting funding.

The result of the campaign is positive. The lack of information about connected promotional activities brought traffic to the website.

**Recommendations:** We recommend using the specialized informative microsite, but in connection with other channels like regional events, advertisement and PR.

### **3.3.8 Euroquity**

*Country:* France / Germany / Belgium

*Gap identified:* SMEs lack proper self-promotion skills to attract investors.

*Facilitator:* BPIFrance (French public bank that support companies), KfW Germany (German bank providing funds to SMEs), Sowalfin Belgium

*Objective:* To create networking between companies, investors and business partners (to match developing companies with investors and potential partners)

*Solution:* Interactive website / training / event

*Description:* The web portal targets companies looking for equity to develop their business and the service is also available to different kinds of investors (venture capital, business angels, private individuals...). Beyond its digital services, Euroquity organizes investment breakfasts, fundraising trainings, web conferences etc.

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*Main results:* Support for the promotion of companies in order to be able to raise equity and direct facilitation of deals. Currently there are 9,600 SMEs, 2,000 investors and 1,000 advisors on the platform. Over EUR 415 million have been raised on the platform since 2008.

### **Communication expert opinion:**

The main tools include website, trainings and events. The website serves as a database of both companies and potential investors.

This website is a perfect direct communication tool, where the communicator can publish their own content, over which they have direct control (text, video, infographics, photos, questionnaires, etc.). It is also necessary to combine these tools with an information campaign to support traffic on the website. Workshops and fundraising events are optimal solutions to connect investors and finance-seeking companies.

The result has been positive so far. A significant amount of traffic was recorded on the website and in the trainings.

**Recommendations:** Since the campaign objective is different from what we need to achieve in the Czech Republic, we would not recommend this direction. However, microsite and regional events are suitable tools for the campaign in the Czech Republic, however, their focus would need to be adjusted.

### **3.3.9 Global SME finance forum**

*Country:* Spain

*Gap identified:* The lack of education of SMEs on alternative financial instruments.

*Facilitator:* The Global Partnership for Financial Inclusion, International Finance Corporation

*Objective:* To accelerate access to finance for SMEs worldwide by promoting the exchange of knowledge, policy change, and new connections.

*Solution:* Interactive website / event / membership services / Internet tool

*Description:* The Global SME Finance Forum works to expand access to finance for SMEs. The forum operates a global membership network that brings together financial institutions, technology companies, and developmental finance institutions to share knowledge, spur innovation, and promote the growth of SMEs.

*Main results:* Currently there are 140 members from 60 countries, 3,500+ knowledge resources, 56,000 users and 193,000 page views in 2017.



**Communication expert opinion:**

The main tool in this campaign is a yearly conference, similar to Polish campaign.

For the needs of the Czech campaign, we see this tool as irrelevant. This yearly networking event is associated with high organisation costs. Additionally, it only addresses a limited pool of participants. Such an event is suitable for networking rather than for spreading information.

We expect impact in hundreds of participants on this conference, which is not enough to increase overall education level among the target group. To repeat a message delivery is also needed for the campaign to have relevant impact, which a yearly event does not deliver.

**Recommendations:** Over yearly networking event, we would rather recommend series of regional workshops and events to reach audiences in different regions and have more individual and relevant approach.

**3.3.10 BIC Bratislava**

*Country:* Slovakia

*Gap identified:* The lack of knowledge on SME financing opportunities and access to credit and investment finance.

*Facilitator:* The European Business and Innovation Center Network

*Objective:* The business, marketing and financial plans, access to debt and equity finance, corporate strategies, additionally, EU and national support schemes for SMEs.

*Solution:* Interactive website / consulting / event

*Description:* BIC Bratislava's service includes business and innovation advice, support of international cooperation, assistance in access to finance for SMEs, as well as supporting participation in the EU framework programmers for research and innovation.

*Main results:* BIC Bratislava has supported business and innovation for 28 years. Currently there are 50 companies that obtained credit funds, 30 companies in the early stages of doing business within incubator activities, 3 new incubators for start-up innovative companies and 2,000 clients in active communication.

**Communication expert opinion:**

The main communication tool in this campaign was the regular regional meetings connecting representatives from institutions and SMEs.

The tool is perfect for direct interaction within target group representatives, especially after engaging in interest-driven advertising campaigns (website, advertorials, PR). It is important for reaching a larger target group. At the same time, it allows to some extent to solve target's individual needs.

We assume there is certain impact on hundreds of target group members. The regional events would need to be included in a broader campaign for better results.

**Recommendations:** This type of communication can be recommended as very suitable after launching a mass information campaign first. We would recommend preparing such events in cooperation with a media house, which have extensive experience with such events, or with associations of SMEs. In regional meetings with entrepreneurs, it would have a direct impact on information and choice of speakers. The media partner would provide database of contacts.

### **3.4 Selection of best Practices**

Based on the identified communication gaps and communication expert recommendations following Practices are deemed to be exploited for creation of future Communication Strategy.

**a) Financial literacy for Business in Croatia**

Objective of this practice is improvement of SMEs' access to financing and definition of parameters for future cooperation between business entities and financial institutions. Target of the campaign, especially the educational part, corresponds with the goals of the Beneficiary. Directly connecting SMEs with potential investors is also in line with the objective.

Based on the communication expert recommendation, this type of communication practice can be recommended as very suitable after launching a mass information campaign at first. Expert recommends preparing such events in cooperation with a media house having broad experience with such events or with associations of SMEs. In regional meetings with entrepreneurs, coordinator would have a direct impact on information and choice of speakers. The media partner would provide database of contacts.

**b) Finance Desk of Chamber of Commerce in Netherlands**

Objective of this practice is to provide a general overview of financing possibilities for SMEs / SMBs and to help business owners run their businesses successfully.

Communication expert recommends using specialized informative microsite, but in connection with other channels like regional events, advertisement and PR.

**c) BIC Bratislava in Slovakia**

Objective of this practice is to provide to SMEs the business, marketing and financial plans, access to debt and equity finance, corporate strategies and additionally, EU and national support schemes for SMEs.

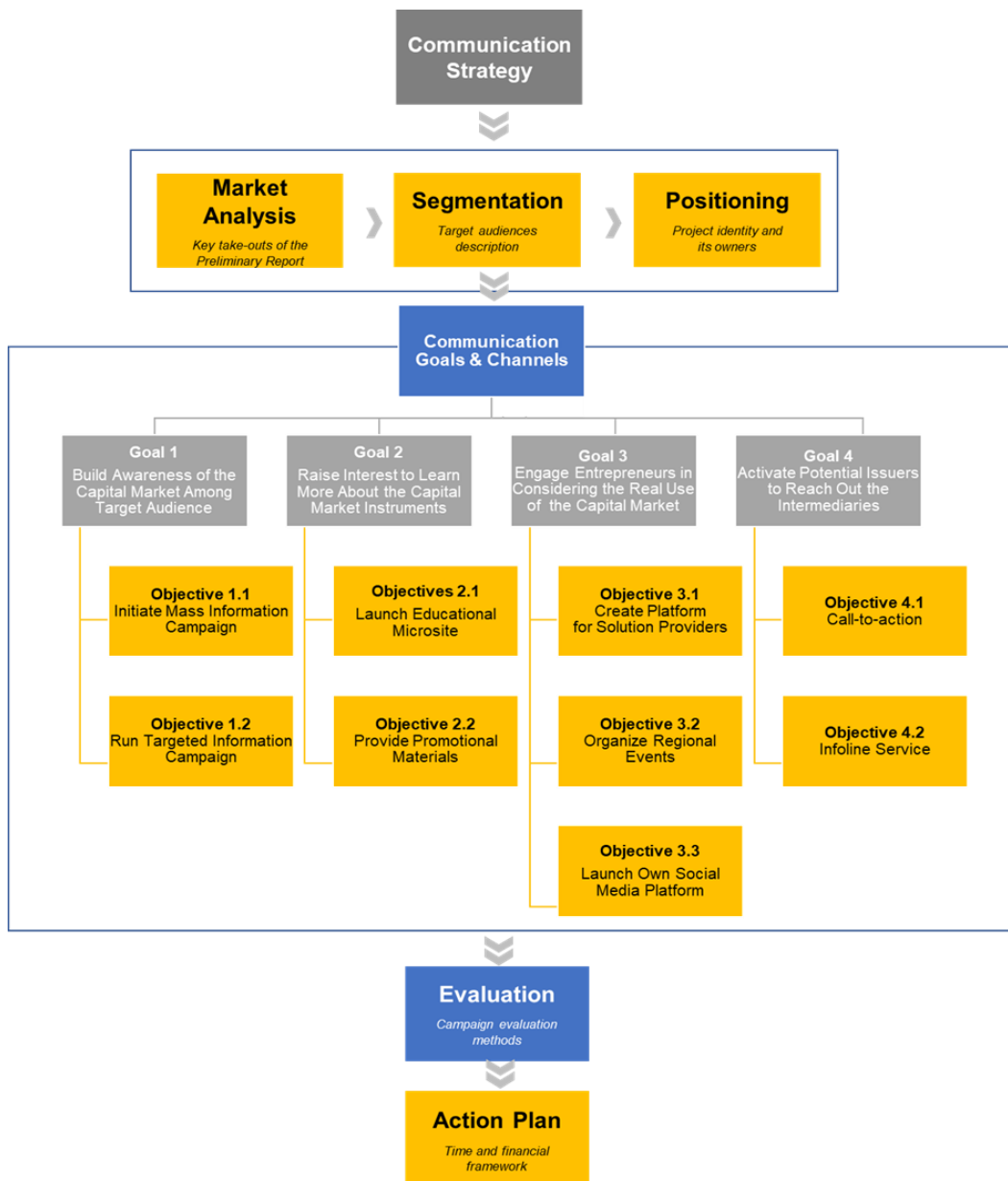
This type of communication can be recommended as very suitable after launching a mass information campaign first. Expert would recommend preparing such events in cooperation with a media house, which have extensive experience with such events, or with associations of SMEs. In regional meetings with entrepreneurs, it would have a direct impact on information and choice of speakers. The media partner would provide database of contacts.

## 4 Communication Strategy and Action Plan

This Strategy addresses the information gaps identified, proposes suitable Communication Strategy including the communication channels and suitable media as well as an Action Plan with a set of clear actions and measures to deliver the Strategy.

The Strategy should be carried out in close consultation with the Czech Republic and the SRSS. Below a structure of building a Communication Strategy is presented. It describes the process of creating a Communication Strategy from market analysis to Action Plan.

**Figure 18: Process of building a Communication Strategy**



Source: FleishmanHillard

## **4.1 Strategic planning in the public sector**

The Communication Strategy has been designed for the Czech Republic and its goal is to support the execution of public policies. That is what sets the Communication Strategy apart from communication strategies employed in the private sector, which are designed to support sales of products and services or boost customer relationships.

### **4.1.1 A public authority as the Strategy implementer**

The Communication Strategy exploits specific traits of the relationship between the public sector and the public. Prominent among these traits is not only the citizens' natural interest in public affairs, including interest in any new statutory obligations, but also the value of public support, such as educational events. The Strategy takes into account that key information will be disseminated by the media as an indirect effect of state representatives' activities in combination with direct communication by public authorities (via websites, newsletters, etc.).

### **4.1.2 Independence of Strategy**

A Communication Strategy in financial education differs as a matter of principle from other strategies in terms of the independence of the message provider. While the aim of a commercial Communication Strategy is to influence the target audience regardless of the actual benefit to that audience, an educational Strategy organized by state bodies enjoys the potential for much greater credibility while also providing a true choice (it comes across as a guide and not as the bearer of the only truth).

Independence does not equate to isolation. An independent campaign can, in a suitable and controlled way, secure the synergic effect and engagement even of active market participants pursuing their commercial interests. In such a case, the campaign organizer must deploy suitable corrections if necessary to preserve the campaign's independence.

### **4.1.3 Funding of the Communication Strategy**

The Communication Strategy keeps in mind that any demand on the public funding should be assessed in terms of the justifiability of the expenditure. Criteria used to determine the justifiability may include the communication format, the importance of the issues dealt with, political priorities, the audience/voters pool, and the means employed. However, to ensure an effectiveness of the Communication Strategy, an appropriate funding should be available.

A Strategy of, educating SMEs is an exceptionally important as SMEs play a key role as a source of wealth. It is closely related to supporting the proper functioning of the capital market and business funding. SMEs act as a key pillar of the economy as job providers, tax payers and creators of added value. Keeping the SME sector in a good condition is one of the European Union's priorities. However, the effective support for the topic depends on the government's agenda in the Czech Republic (Ministry of Finance, Ministry of Industry and Trade) and it may change, in the future /current Parliamentary term is 2017-2021/. A bottom-up effort should keep the topic as a priority in the future. In addition, financial education is not popular widely as a communication topic.

What can be seen as a positive factor is the clear support of Strategy on capital market development expressed by the government in March 2019. As a business-supporting measure, the Strategy includes a plan for educating financial managers of small and medium sized enterprises about the possibilities of securing financial resources on the capital market.

Another positive factor is the existence of a supporting infrastructure available to SMEs (CzechInvest, CMZRB and other specialized bodies) as well as the true interest of relevant executive experts within key government bodies (Ministry of Finance, Ministry of Industry and Trade) in the successful implementation of specific policies and actions. The Czech National Bank also clearly declares its support as its statutory objectives include financial literacy and education. Importantly, there is also additional support from bodies associated with SMEs (e.g. Chamber of Commerce) and the financing infrastructure stakeholders (e.g. Prague Stock Exchange, authorised brokers). Vast communication as well as budgetary synergies could be drawn from cooperation between parties mentioned above.

The usefulness of expenditure is in no way a guarantee of funds availability. The finance ministry remains reserved in its estimates of funding available for the implementation of the Strategy in terms of both the national budget and EU funds, or even supplementary funding from capital market participants.

To be able to implement the Strategy in line with European Commission specifications, i.e. employing international best practices, the approach employed takes into account the possibility of limited funding. A two-stage implementation format is therefore proposed, with less expensive measures to be implemented separately from the more demanding ones.

All proposed Strategy measures also consider the fact that the Ministry of Finance is a public body managing its expenditure with a due care within principles of frugality and efficiency. Also considered was the stipulation for the specialist content to meet the requirement for a positive feel of the campaign in order to make it acceptable to the target audience as well as the professional and lay public.

#### **4.1.4 Synergy effects**

The constraints of a reduced budget can be mitigated to some extent by efficient use of synergies of various tools available to the public authority:

- a) Communication potential of the existing infrastructure within public bodies, for example:
  - i. Public relations tools of the public institutions (media relations, press departments, attention paid to press releases),
  - ii. Motivating government officials/managers/employees to bring up the topic on every suitable occasion, giving it extra exposure and weight (proper regular communications trainings of the officials will be required).
- b) Possibility of targeting based on available information (e.g. from the statistical information available to public bodies) or alongside other government communication addressed to SMEs.
- c) Engagement in terms of both content and communication
  - i. Engagement of all relevant public bodies that have expressed support (Ministry of Finance, Ministry of Industry and Trade, Czech National Bank)

- ii. Ability to employ innovative approaches, e.g. letters attached to tax return communication.
- d) Engagement of commercial entities with related interests even if they are independent (infrastructure)
  - i. Stock exchange, financial web portals, intermediaries, etc.
- e) Large synergic effects could also be attained by utilization of available public infrastructure, particularly government agencies with their own allocated budgets, professional teams and similar agendas, e.g. CzechInvest, offering efficiency, reputation, skilled teams, and credibility.
- f) Engagement of the academic community.

## **4.2 Market analysis**

Outputs of the analysis and research presented in the chapters (i) Information and communication gaps of the Czech capital market and (ii) International Best Practices identification were used as a basis for the further development of the Strategy. The key take-outs of the above mentioned chapters are presented below.

### **4.2.1 Key take-outs from the information and communication gap analysis of the Czech capital market**

Based on the outcomes of the analysis presented throughout the chapter information and communication gaps of the Czech capital market, Czech SMEs have rather low knowledge about the basic capital market instruments. Majority of SMEs have no experience with capital market instruments and are not aware of these as of a source of financing. They identify usage of own sources or bank financing as a key reason for not using capital markets instruments. Bank financing is dominant source of financing for SMEs in the Czech market because of the simplicity, lower costs and lower disclosure obligation of bank financing compared to financing on capital markets. On the other hand, SMEs perceive advantages of financing on the capital markets, such as higher flexibility in comparison with bank financing or additional marketing.

It has been found out that for the purposes of communication of capital markets opportunities related to financing, SMEs would prefer to use web platform/microsite for obtaining the basic information. However, in the second step, personal contact and professional advice when looking for specific information about important issues of financing would be envisaged.

During numerous discussions with Czech Capital market intermediaries it has been revealed that they perceive low understanding of the value that SMEs may gain for themselves as one of reasons of low usage of capital markets financing by SMEs. Conservative approach and weak awareness of SMEs regarding the possibilities of financing through the instruments of the capital market are also among the key reasons of lower activity on capital markets. In the most cases of the SMEs seeking for alternative ways of financing, it is the matter of solving specific problems which are not bankable for commercial banks. The independence from banks and no pledge requirements are perceived being main benefits for the SMEs.

In order to improve the capital market activity and attract issuers, the group of intermediaries propose to conduct education of SMEs under the auspices of state authorities and also a stronger state's involvement,

in order to set out stable regulatory environment ensuring issuers and investors that the conditions will not change throughout the life of the instrument / investment.

The goal of Czech national authorities is then to support the issuance of financial instruments by the SME entities and consequently the development of capital markets. All key national authorities interviewed express their interest and support the cooperation on the communication campaign related to the financial literacy of SMEs and promotion of financing on the capital markets. They perceive the need for more professional and comprehensive communication, higher SMEs' awareness of the financing opportunities, more complex cooperation between various state institutions and business associations and also better utilization of media.

As a way to increase the awareness and to communicate the means of financing through capital market instruments and the related processes, the creation of online tool used to unite all the information on financing and relevant contacts is preferred.

### **4.2.2 Key take-outs from the International Best Practices identification**

Ten international best practices from comparable / aspiration European countries relevant to goals of this Strategy were identified. In countries of its origin, selected Practices were implemented by the national authorities with the aim to improve capital markets literacy of representatives (especially CFOs or managing directors) of SMEs.

All the Practices were evaluated based on the four following objectives perceived as needed for a quality communication campaign:

- a) Strictly defined key message for the identified target audience;
- b) Correctly chosen communication tools/channels will help to strengthen the message transferred to the defined target audience;
- c) Optimally crafted content, relevant for both the key message and the target audience, if all selected correctly, the campaign will generate organic actions from the target audience (if call-to-action is required);
- d) The campaign should be integrated, so it does not rely on one or only a few communication channels. It is important to, depending on the key message and target audience, use a broad spectrum of communication channels and tools to pass on the content sufficiently.

### **International Best Practices Summary**

Based on the identified communication gaps and communication expert recommendations following three Practices that fulfilled the above-mentioned objectives were deemed to be exploited for creation of future Communication Strategy.

- a) *Financial literacy for Business in Croatia*
- b) *Finance Desk of Chamber of Commerce in Netherlands*



c) *BIC Bratislava in Slovakia*

The proposed Strategy builds on the identified international best practices from the previous chapter and further develops key learnings from all three Practices. Detailed incorporation of the learnings can be seen in the Communication channels chapter of this Strategy.

This Strategy builds on the international best practices however it does not copy the practices without any further consideration. The Strategy strongly takes into account different local aspects as infrastructure, possibility of limited funding, allocation of tasks between different public bodies, experience with efficiency of marketing strategies in the local environment.

## **4.3 Segmentation**

### **4.3.1 Decision makers in the process of the corporate financing**

Financial management of a firm in a market economy is a dominant part of the overall economy of the company and its management. It usually acts as an integrating component in which all aspects of the company's activities are comprehensively reflected. Financial objectives are the basis for criteria for deciding different alternatives and for evaluating the overall efficiency of business.

Financial management of a business is usually divided into two groups: (1) a financial-management group, and (2) financial-control (accounting) group. The first group is devoted to raising capital, managing cash, relationships with banks and other financial institutions, managing receivables and liabilities of the company, evaluating investment plans and financial planning. The second group deals with financial and cost accounting, budgeting, business taxation and internal financial control.

The organization of financial departments of Czech companies is very diverse. Financial managers in the business should have not only solid knowledge of microeconomics, enterprise economics and accounting, but also understanding and feeling for other economic issues, particularly the functioning of the financial market, the tax system, the exchange rate system and the customs system.

Financial decision-making is the process of choosing the optimal option of obtaining cash and capital and their source as well as use from the point of view of the basic business objectives and considering the restrictive conditions.

Financial decisions of an enterprise include the following stages:

- Definition of the financial problem and specific determination of the financial objectives.
- Collecting and analysing information and backgrounds needed for decision making.
- Evaluating different solutions by setting criteria for choosing the optimal option, evaluation of individual options according to selected criteria, choosing the optimal variant.
- Implementation of the selected variant and its verification with respect to the intended objectives.

Long-term financing in small and medium enterprises are a matter of highest importance and priority. Therefore, the decision makers in this process is usually a group of people consisting of company legal owners and the TOP management of any given company, if it exists.

#### 4.3.2 Description of target audiences

##### **Small and medium enterprises**

This Communication Strategy is primarily aimed to increase awareness of SMEs about alternatives of financing the development of the companies other than own funds and banking financing, namely capital market instruments. Therefore, in all communication activities proposed in further chapters, we need to aim the campaign messaging at the decision makers in the issue of long-term financing of small and medium enterprises.

##### ***Box 2: Definition of SMEs***

For the purposes of description of target audience SMEs are defined in accordance with categories of EC as follows:

Medium enterprise has up to 250 employees, yearly turnover up to 50 million EUR and yearly balance sheet up to 43 million EUR and needs to be independent.

Small enterprise is a company with less than 50 employees with either up to 10 million EUR yearly turnover or up to 10 million EUR yearly balance sheet.

Microenterprises are a special category of companies with up to 10 employees, turnover and balance sheet both up to 2 million EUR.

As the legal definition of small and medium enterprises implies, companies of such size usually do not have a complicated structure of management. Usually, the decision makers in small enterprises will be limited to their owners or general manager. With medium enterprises we can expand the group to Chief financial officers and Chief operations officers.

Both groups, SME owners and managers, share an interest in media that focus primarily on the economy, finance, business management and/or new legislation and its impacts on business undertakings. State-wide print dailies must be considered, since TOP managers are a strong target audience of those according to the analysis<sup>26</sup>. The campaign will also be targeting managers in regions. Regional dailies are one of the most suitable channels for such target audience, since people with responsibility over company finances are heavily among their readership<sup>27</sup>.

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<sup>26</sup> Union of Publishers, [http://www.unievydavatelu.cz/gallery/files/MP\\_1804\\_v15video.pdf](http://www.unievydavatelu.cz/gallery/files/MP_1804_v15video.pdf)

<sup>27</sup> Compame with <sup>26</sup>

Proposed media that match the above specified characteristics are published predominantly by the Economia publishing house. Its titles are read by 66% of business owners<sup>28</sup>, members of top managements and representatives of public bodies.

Titles published by Economia are suitably supplemented by others. The campaign's communication will make use mainly of *Hospodářské noviny*, *E15*, *Ekonom*, *Euro* and *Podnikatel*. It will also be directed at editors of financial columns of traditional, more generally oriented media (*MF DNES*, *Deník*, *Právo*, *Česká televize*, *Český rozhlas* and similar and their relevant online versions). Regional events (workshops) will be communicated in regional dailies.

### **Intermediaries**

Intermediaries are a specific target group that includes providers of both professional advice and actual financial solutions. This group particularly includes banks, brokers and other financial consulting companies. Messages targeting these intermediaries will differ from those aimed at SME owners and top managers.

The latter need to be educated and informed of the availability of alternative sources of financing. The intermediaries, on the other hand, are experts in their field, mostly familiar with the tools and their practical application and with a strong potential to self-educate themselves in case of business opportunity. Therefore, communication targeting the intermediaries will present the campaign as an opportunity to provide services to a well-informed customer. As a result of the campaign they should improve their procedures to provide services with an improved quality.

A collection of materials will be made for use by the intermediaries to guide them through the campaign. The materials will present the campaign's goals and tools and introduce the campaign's microsite featuring a section dedicated to the intermediaries. As a result of the campaign, the professional intermediaries should become an option No. 1 guide in a process of seeking for external funding for SMEs. The campaign should provide intermediaries with information on new perspective and expectation of SMEs. They should better understand, that for SMEs is critically important not just proceed an alternative but first of all to understand and decide for the best option in the horizon of their external funding.

The campaign will also inform the intermediaries that the objective is not to convince SMEs to turn to capital markets but instead to propose a solution that would best fit the given SME's circumstances and needs.

### **Media Relevant for target audiences**

This Strategy identifies key relevant Czech media for the target audiences based on the combination of factors – readership, relevance for the target audience, credibility. The campaign should converge toward this identified media in all its phases including media relations activities and paid advertising campaign. In the table below, the identified media are listed by media type.

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<sup>28</sup> Compares with <sup>26</sup>

**Table 5: List of the most relevant media for the target audiences**

<b>Most relevant media according to penetration among the companies target audience</b>
<b>TV stations:</b> Czech Television: ČT 1, ČT 24
<b>Dailies:</b> MF DNES, Lidové noviny, Blesk (except Sunday edition), Právo, Hospodářské noviny, E15, Deník
<b>Magazines:</b> Euro, Ekonom, Profit, Podnikatel, Moderní řízení
<b>Radios:</b> Český rozhlas, Rádio Impuls, Frekvence 1
<b>Websites:</b> seznam.cz, facebook.com, novinky.cz, idnes.cz, ihned.cz, mesec.cz, podnikatel.cz

Sources: MML-TGI ČR 2018 2<sup>nd</sup> and 3<sup>rd</sup> quarter (02.04.2018 - 16.09.2018), Netmonitor.cz, Unie vydavatelů

## 4.4 Positioning

This chapter describes setting up of the Project's identity and means of rendering its position in target audience's minds.

### 4.4.1 Project identity

The Communication Strategy for increasing capital markets literacy in the Czech Republic assumes the creation of a coherent communication platform that will serve for long-term communication with selected target groups. Thus, to reach the target prospects more effectively and to strengthen their loyalty, this document proposes to develop and implement a basic brand identity Strategy.

Branding is usually defined by name, term, design, symbol, colors, slogan, sound and multiple combinations making easier to attract attention of the targets. Generally, branding is not limited to a company or business, it is increasingly appearing in connection with individuals, non-profit activities or public issues.

Creating a brand is a long-term process that is not limited to creating a single name and symbol. The brand is much more, especially by what emotions it can bring to the recipients of the message. In the case of increasing capital markets literacy, the brand is supposed to create associations such as credibility, utility, and simplicity.

- **Credibility** - The brand must work in line with state administration institutions to act as a trusted partner providing relevant information that has the character of officially verified information.
- **Utility** - The brand should also express usefulness and applicability in practice, which are one of the key criteria for business decision-making. The brand should thus have the ambition of becoming a helper that entrepreneurs will recommend to each other.
- **Simplicity** - The brand must also serve the purpose of the capital market. The brand should not simplify or complicate capital instruments anyway, but it should act as a source of quick and

practical information that helps entrepreneurs to select and simplify the amount of capital market information.

The reasons for using the brand in communicating capital market instruments are different and they vary in different levels of communication. The main reasons for branding the capital markets literacy are summarized in the following table.

**Table 6: Brand benefits**

<p>Branding has many benefits. The main reasons for introducing the brand into communication are as follows:</p> <ol style="list-style-type: none"><li>1. Brand attracts attention</li><li>2. Brand distinguishes communication from other similar themes</li><li>3. Brand represents the overall positioning of the campaign</li><li>4. Brand increases the chance of memorability</li><li>5. Brand connects the communication over various channels</li><li>6. Brand has the ability to retain experience</li><li>7. Brand increases and keeps the value of the issue of product</li><li>8. Brand raises particular emotions</li><li>9. Brand contributes to the image of professional promotion</li><li>10. Brand can cover the communication of several different platforms or brands</li></ol>
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The branding process involves three phases that need to be linked in time. The first phase involves defining the brand positioning, the tone of the voice to express the brand. The main aspects include associations, emotions, and key messages, but also factual consistency with other names that the company or institution already uses. The second phase is the search for the optimal name. This should meet the requirement of a high degree of memorability and, at the same time, the universal use of the same name for the Internet domain. A single word, double or triple name is the ideal solution in this case. In the final phase, a visual or audio-visual rendering of the brand takes place, represented by a selection of colors, symbols or slogans.

Creative proposal of the Project brand and accompanying slogans will be submitted in the next part of the Project, which will include complete content and messaging strategy related to the local capital market issues in the Czech Republic.

#### 4.4.2 Owners of the topic in the Czech Republic

This Strategy also recommends the definition and division of the roles of various cooperating institutions and entities during the realization of the communication Project. Several institutions will be actively or passively taking part in the campaign to attain the strongest synergic effect of the communication and utilize synergies of their respective budgets, or have to be considered, when utilizing the capital market tools. Those institutions and their roles recommended by this Strategy are following:

**Table 7: Institutional roles division**

Institution	Recommended role
<b>Ministry of Finance of the Czech Republic</b>	Project owner with the main implementing role, responsible for planning, fundraising, and evaluating the communications goals, including the content development and general campaign overseeing.
<b>Ministry of Industry and Trade</b>	Recommended Co-owner of the Project with the coordinating role, <ul style="list-style-type: none"> <li>- Responsible for growth of SME</li> <li>- Willing to participate, active, capable</li> <li>- Responsible for the activities of CzechInvest and with power of the involvement of the target groups through its network of CzechInvest regional centers.</li> </ul>
<b>CzechInvest</b>	Recommended Co-owner of the Project with executive role, responsible for engaging and converting part of marketing funnel strategy. Plays an expert consulting role and a co-organizer of activities in the final parts of the funnel. Institution in direct contact with the target audience also provides suitable channels to address the target audience.  CzechInvest is an existing public institution with a solid professional reputation. Budgetary synergies can be attained by utilizing existing institutions like CzechInvest and their channels.
<b>CNB</b>	Recommended partner of the Project with an expert role, contributing to improving financial literacy (web sites) and guiding the content of information campaign as the information provided complies with a complex regulatory environment. CNB also contributes to credibility of the campaign for stakeholders as the information should comply with the supervisory perspective and approach of CNB towards due care on providing of investment services and investors protection.

<b>Czech Chamber of Commerce</b>	<p>Partner of the Project with supplementary role, responsible for engaging part of marketing funnel strategy. Plays an expert consulting role. A co-organizer of activities in the final parts of the funnel. Institution in direct contact with the target audience also provides suitable channels to address the target audience.</p> <p>Czech chamber of Commerce is an existing public institution with a solid professional reputation. Budgetary synergies can be attained by utilizing existing institutions like CzechInvest and their channels.</p>
<b>European institutions: European Investment Fund, European Investment Bank, European Bank for Reconstruction and Development</b>	<p>Provider of expert consultancy role as the international institutions have a credibility and strong experience in alternative financing. Those institution can contribute with sharing their stories and even provide SMEs with their offer of finance even of projects with a lower competitiveness due to emphasis to social or environmental value of the business</p>
<b>Associations: Czech Capital Market Association, Czech Private Equity and Venture Capital Association;</b>	<p>Various relevant associations serve as an advisory partner and co-provider of expert information for the education and engaging part of the campaign.</p>
<b>Solution providers</b>	<p>Commercial institutions taking over, once the campaign goals are reached and the member of the target audiences starts to actively look for an individual solution suitable for their company. Solution providers have an advisory as well as an executive role.</p>

### Project management

For smooth and successful realization of the campaign, it is crucial the campaign is coordinated and lead by one Project owner. Such role is recommended to be located with the coordinating institution of the campaign – Ministry of Finance of the Czech Republic, as the most relevant public authority for area of capital markets and company financing. Within the ministry, the separate role of Project manager should be created. Such position would be responsible for:

- Strategic leadership of the Project
- Budget distribution and supervision
- Coordination of activities of all involved institutions
- Achievement of key goals of the campaign

For successful realization of the campaign and its long-term goals, role of Project manager would require between 60-100hours / month capacity, which corresponds with a half-time job position for the time of the Project preparation and execution period.

### **Touch points**

Above the implementation of several online and offline tools, that are described by the next chapter, the Strategy recommends considering the development of a special offline network that would offer real communication touch points for the target groups of SMEs owners and management.

Establishment of a network of information centers on the capital market goes beyond the common Communication Strategy, however, with regard to the results of the survey among entrepreneurs, the development of such a network is fully recommended, while physical availability of a consultant (in the form of a colleague, family member, or banker) is key to the decision-making process of our target groups.

Even if the network would not be massively visited, such network will unconsciously help raise capital market awareness and openness for small and medium businesses in all regions of the Czech Republic.

To build a network of regional centers, this Strategy recommends considering joining venture with an existing network which is materially and professionally equipped to operates the facilities of such touch points e.g. The Czech Investment Agency. Budgetary synergies could be attained utilizing the existing network in comparison to creation of the new network specifically for this Project.

**Table 8: Regional offices of the CzechInvest – Business and Investment Development Agency**

<p><b>Prague and Central Bohemia Regional Office</b></p> <p>Phone no.: +420 296 342 486, E-mail: praha@czechinvest.org</p> <p>Address: Štěpánská 15, 120 00 Praha</p> <p><b>Brno Regional Office</b></p> <p>Phone no.: +420 296 342 937, E-mail: brno@czechinvest.org</p> <p>Address: Holandská 3, 639 00 Brno-Štýřice</p> <p><b>České Budějovice Regional Office</b></p> <p>Phone no.: +420 296 342 943, E-mail: ceskebudejovice@czechinvest.org</p> <p>Address: Radniční 133/1, 370 01 České Budějovice</p>
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**Hradec Králové Regional Office**

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## **4.5 Communication goals**

### **4.5.1 Long-term strategic goals**

The Communication Strategy for enhancing literacy of Czech companies in the area of capital markets is formulated for the period from 2020 to 2025. The main objective of the Strategy is to raise awareness of alternative corporate financing among owners and top management of small and medium-sized enterprises. The Strategy assumes that increased awareness will contribute to a greater interest in the capital market instruments and will increase the willingness of entrepreneurs to learn more about this type of financing, resulting in the real increase in the number of applicants for alternative financing in the Czech Republic by 2025.

The Communication Strategy assumes that, to change the perception of the capital market and the practical adoption of its instruments by the target groups, it will be necessary to fulfil a set of long-term goals defined by this Strategy.

### **Goal 1: Build awareness of the capital market among SMEs**

Awareness of capital market instruments in the Czech Republic is at a low level. The primary goal of our initiative is to build elementary awareness of what alternative financing is, why it is important, and how it can be realized. A set of specific objectives and actions will need to be implemented.

### **Goal 2: Raise interest to learn more about the capital market instruments**

With raising awareness of capital market instruments, an education campaign must be launched in parallel for those who want to learn more about these forms of financing. The Strategy will have to provide a set of tactical online and offline tools to help achieve this goal.

### **Goal 3: Engage entrepreneurs in considering the real use of the capital market**

The raising of interest must be accompanied by specific activities that will help to transform the plain curiosity to the real consideration. A series of local activities and event will have to be set.

### **Goal 4: Activate potential issuers to reach out the solution providers**

The ultimate goal of this Strategy is to find specific entrepreneurs who have an active interest in meeting with solution providers and apply for alternative funding using capital market instruments.

## **4.6 Communication channels**

This chapter of the Strategy is aimed to describe the communication channel Strategy and describes in detail specific channels that are proposed to be utilized to reach goals of the campaign. Channels are proposed with regard to the identified international best practices as well as Czech local specifics. The particular content for this Strategy for this campaign is described within the chapter Topics and corresponding messages for a future communication campaign.

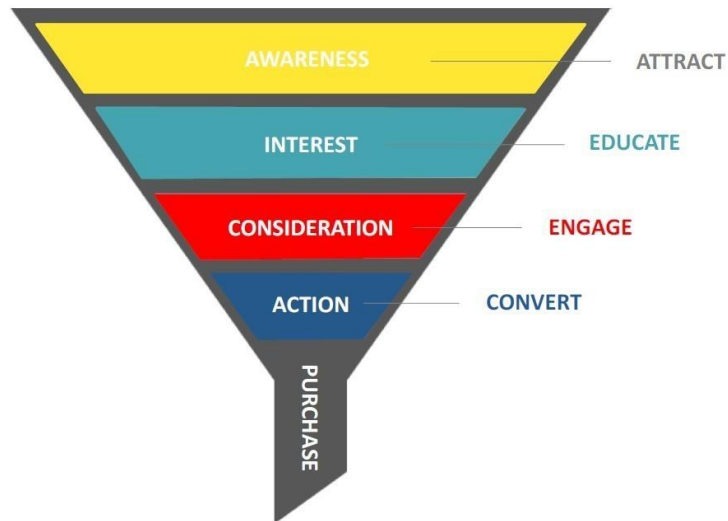
### **4.6.1 Marketing funnel**

The marketing funnel is a marketing model used to describe the message recipient's journey from the capturing of their attention to the active performance of an activity, which the communication strives to elicit (in sales and marketing this is usually a purchase of goods or services).

It begins with tools designed to attract the attention of the intended message recipient. This step targets the widest possible base, possibly specified by a defined set of criteria to target, for example, business owners. The aim is to raise awareness of the campaign topic.

Subsequent steps aim to provoke interest within the target group, the objective being to convince the target group to begin considering acting.

The final step is conversion, i.e. the execution of that action towards which the message recipient is directed, such as a purchase of goods, subscribing to a service or signing up for a workshop on alternative business financing.

*Figure 19: Visualization of the marketing funnel*

### Application of the Marketing Funnel in the Communications

A campaign promoting alternative ways of business financing makes use of the marketing funnel principle. The marketing funnel's logic is fully respected and governs the use of tools proposed below. Initially, the intended recipients' attention is attracted by a combination of paid and unpaid content. The campaign based in the marketing funnel then continues to work with the target group, acquires contact information and invites the target group to visit social networks and dedicated microsites containing further information. The engagement of the target group, such as through participating in workshops or advisory sessions ideally leads to conversion, which means to the adoption of a new form of business financing.

In the Communication Strategy to increase awareness about capital market instruments in financing Czech small and medium enterprises we have defined four different communication goals, that need to be fulfilled by the funnel strategy. Those are namely:

- Building awareness of the capital market among SMEs;
- Raising interest to learn more about the capital market instruments;
- Engaging entrepreneurs in considering the real use of the capital market;
- Activating potential issuers to reach out the solution providers.

To reach each of given goals, the communicator will need to apply a different set of suitable communication channels and tools. In this Strategy, we are applying a marketing funnel approach, which in summary says, that to successfully sell the decision makers the defined messaging and to buy them into considering and eventually utilizing capital market instruments when financing their company's long-term development, the communicator will need to address much larger group of potential members of target

audience at the start of the campaign and gradually narrow down this group with each additional campaign step.

Reverse strategy applies to the amount of information the communicator provides to the target audience. At the start of the campaign, the communicator needs to provide limited, eye- and thought-catching messages. Working down the funnel, the communicator will expand the amount of information provided, resulting into detailed, highly-personalized solution or each decision-makers.

To successfully realize such strategy, the communicator will need to start with the mass marketing tools such as advertising and public relations, which provide limited and catchy messaging to the mass of our target audience to raise the awareness about capital markets. Then, the communicator will continue with more personalized approach in the educational step such as dedicated microsite with more detailed information on the instruments. Once the decision-maker is engaged into considering the capital market financing, the communicator will need to use more and more personalized tools (personal workshops, telephone hotline, etc.) and provide broader spectrum of information. In the following chapter, we will investigate all of those communication channels in bigger detail.

**Box 3: Explanation of the importance index indicator for the communication channels**

In this section, the Strategy describes a wide-range of tools that are suitable to be utilized to achieve the campaign goals. Each of the described tools is given an Importance Index Indicator. This indicator suggests, how important each particular tool is in the communication channels mix. This is evaluated based on the communication effectiveness of each tools and cost-to-result performance. The Index indicated the importance of each tool as following:

•••••	A tool that is the most essential for the success of the campaign and provides the best communication results
••••	A tool that is essential for the success of the campaign but it cost-to-result performance is slightly lower
•••	A tool that is complimentary and should be evaluated based on the cost and available budget for the campaign
••	A tool that is not essential for the campaign success, but the costs are favorable
•	A tool that is not essential for the campaign success and should only be considered when the allocated budget allows to use it

#### **4.6.2 Goal 1: Build awareness of the capital market among target audience**

As mentioned in the summary of key take-outs from the Preliminary Report, the awareness of small and medium enterprises about capital market financing instruments is limited in the Czech Republic. To achieve the first goal, we will need to significantly increase the awareness among SME decision-makers about such instruments and create the basing understanding of their function and utilization. To increase awareness about an issue among a relatively large and diverse audience of SME owners and TOP management, mass marketing channels and tools are proposed to be applied.

##### **Objective 1.1: Initiate mass information campaign**

Mass marketing is a market strategy in which the communicator decides to ignore market segment differences and appeal the whole market with one offer or one strategy, which supports the idea of broadcasting a message that will reach the largest number of people possible. In our case, the message is existence and importance and basic utilization of capital market instruments to finance small or medium enterprise.

Traditionally mass communication has focused on mass media channels such as print or online newspapers, television or radio. Today, also social media such as Facebook can be perceived as a mass medium. By reaching the largest audience possible, exposure to the product is maximized, and in theory this would directly correlate with a larger number of sales or buys into the product.

The communicator will need to pick and use such mass media channels that are consumed by the target audience as defined in Chapter 2.2. To fully utilize mass media channels, this Strategy proposes to utilize two communication tools.

##### *Action 1.1.1: Media relations program*

There are two distinct types of content. In addition to paid content described below, there is also an organic content. Organic content is produced and published as a result of a traditional journalistic work as relevant for the given media's audience. To tap into the potential of organic content, the building of positive relationships with journalists (media relations) is essential. Also utilizing existing relationships and media opportunities of all public institutions included in the campaign is essential to exploit synergic effects.

Organic content calls for a high-quality input from the campaign's authors. First, they must devote time to identifying key journalists who focus on related topics and regularly publish reports on the industry.

The initial step in media relations aimed at high-quality organic content being published is the creation of compendium of all relevant journalists and media containing names as well as further specific information, such as phone numbers and e-mail addresses. With the high rates of media employee turnover, the media list must be regularly updated and supplemented throughout the campaign.

Subsequently, campaign creators must create high-quality content for the journalists and deliver it to the selected media using a set of instruments specified in the table below. It holds true that while paid content is published in the same form as delivered, in the case of organic content, journalists must first be

convinced of the quality, relevance and attractiveness of the content supplied – only then can such content get published by their media. Publishing is thus never guaranteed.

Contrary to paid content, content that is produced by traditional editorial processes earns higher degrees of credibility and greater acceptance by the audience. It must be remembered, however, that journalists process the materials received before publishing: converting it into forms typical for the given medium, and possibly including opposing views or views from a target group. The final release thus usually differs from the originally supplied material.

Each specific campaign requires a suitable mix of tools. Relying on only one or two tools would considerably diminish the campaign’s reach and hinder the realization of its potential.

It is therefore recommended that traditional tools used in communicating organic content are combined with messages distributed as paid content.

To retain a sufficient degree of control over the medialization it is advisable to establish a media monitoring system. Also, existing media monitoring tools of concerned public institutions like the Ministry of Finance of the Ministry of the Industry and Trade could be used to harness synergies. Following the definition of suitable keywords, it is possible to monitor, in an ad hoc manner as well as regularly, media outputs referring to the campaign. Media monitoring is available from PR agencies as well as some specialized companies. A well-configured media monitoring provides feedback that is useful for example in identifying topics that attracted the greatest response or in recognizing responses to individual topics presented (such as critical comments).

**Table 9: Media Relations Tools**

Tool	Description	Benefits	Disadvantages
<p><b>News release</b></p> <p>Importance: •••••</p>	<p>A news release is a brief, formal text material that delivers to journalists a key message.</p> <p>It is a tool suitable for communicating major campaign milestones (launch, gradual achievements, etc.).</p> <p>The text should contain quotes from ministry officials or campaign organizers.</p> <p>The release is distributed en masse to contacts on the media list containing journalists for</p>	<p>News releases generally have a broad reach.</p> <p>Ministries rank among “privileged sources”, i.e. their releases are monitored by press agencies who are a foundation of widespread topic coverage.</p>	<p>Journalists are limited in their ability to ask additional questions.</p>

	whom the theme may be of interest.		
<p><b>Press conference</b></p> <p>Importance: •••••</p>	<p>As a tool, a press conference is suitable for communicating the most important campaign milestones, such as its launch or its final outcomes.</p> <p>The importance of the press conference’s topic is underlined by the presence of the campaign’s key figures, such as high-ranking officials of the finance ministry and the campaign’s organizers.</p> <p>Journalists expect to convert their presence at the press conference into early access to essential information, coupled with the ability to ask for additional details directly from the source.</p> <p>Organizing a press conference involves the creation of a media list with names and contact information of journalists and media for whom the conference’s topic is relevant and who are subsequently invited to the press conference.</p>	<p>During a press conference, journalists can come face to face with people involved in the campaign and obtain information from the primary source.</p> <p>The presence of official representatives is a key argument underlining the topic’s importance.</p> <p>Journalists can obtain additional information on the spot and even conduct interviews with officials and campaign organizers.</p> <p>Important press conferences with ministry officials are generally covered by press agencies.</p>	<p>Holding a press conference entails somewhat higher demands in terms of origination and cost – it requires an appropriate and accessible venue, refreshments and other facilities for journalists, and printed press kits.</p> <p>A press conference is also demanding for busy journalists who in search of interesting information must travel to the designated venue, while the conference itself competes for attention with other concurrent events.</p>
<p><b>Media interview</b></p> <p>Importance: •••••</p>	<p>An interview with a campaign figure can be conducted by any type of medium: TV, radio, online and print media.</p> <p>An interview conducted for a TV, radio or an online medium can be broadcast live (including social networks).</p>	<p>Attractive for the audience, interviews generally achieve considerable reach.</p> <p>Interviews provide sufficient room for the presentation of key messages and</p>	<p>The interviewee must be thoroughly prepared. This is especially important for televised interviews. The preparation involves the provision of high-quality source materials and arguments with which the</p>



	<p>An interview can involve a campaign figure and a journalist only, or an opponent can be also included and present a critical view.</p> <p>An interview has the potential to be highly convincing, but since it is a live contact with a journalist, proper preparation of talking points and Q&amp;A's is required beforehand.</p> <p>It is essential that the interviewee possesses profound knowledge of the topic and can provide a clear delivery of well-formulated arguments based on verified facts.</p> <p>An interview in the presence of an opponent is especially demanding in terms of both preparation and presentation.</p>	<p>arguments as well as supporting facts. A convincing speaker can win a useful positive response.</p>	<p>interviewee must become thoroughly acquainted.</p> <p>Persons with little previous media exposure should be thoroughly prepared, e.g. for unfriendly questioning or an aggressive opponent. Media training is recommended ahead of a televised interview.</p> <p>Statements made during an interview are basically impossible to retract.</p>
<p><b>Twitter post</b></p> <p>Importance: •••••</p>	<p>In case of any media activity done by a public authority with own account on Twitter social network, sharing the key message as a Twitter post is strongly recommended.</p>	<p>Public authorities (ministries, Czech national bank, the Prime Minister, etc.) have Twitter accounts with strong follower base. Synergies can be utilized by sharing key messages from the campaign via their channels.</p>	<p>None.</p>
<p><b>Round table</b></p> <p>Importance: •••</p>	<p>A round table is a considerably humbler variant of a press conference. It usually takes place in a more modest environment and with fewer journalists present. Journalists</p>	<p>Journalists get to meet the campaign's organizers and official representatives. They can question them to their heart's content</p>	<p>Greater time demands in organization, the need to accurately identify the most relevant journalists.</p>

	<p>invited to a round table are generally the ones most familiar with the topic (such as journalists narrowly focused on education invited to a round table about a reform of the elementary school curriculum). A round table facilitates a more detailed presentation of the topic at hand while employing a more specialized tone compared to a press conference. It also offers considerable room for questioning.</p> <p>The fundamental objective of a round table is to present the topic in considerable depth and detail to invited key journalists.</p>	<p>to obtain a detailed understanding of the topic.</p> <p>A round table is an excellent opportunity for establishing good relationships with key journalists.</p> <p>A round table reduces the risks of subsequent misinterpretations and misinformation being released by key media.</p>	
<p><b>One-on-one meeting</b></p> <p>Importance: •••</p>	<p>In a way, one-on-one meetings are similar to round tables, but only one journalist from a key medium is present to talk with a single campaign representative.</p> <p>In effect, it is an interview that enables the journalist to investigate the topic in greater detail while offering the representative an opportunity to provide thorough descriptions and extensive argumentation.</p>	<p>One-on-one meetings are relatively easy to organize. They also consolidate relationships with journalists while offering an excellent opportunity to discuss the topic in great detail with key journalists.</p>	<p>One-on-one meetings yield a limited amount of media outputs.</p>
<p><b>Press trip</b></p> <p>Importance: •</p>	<p>A press trip is an ideal tool for presenting the topic in depth in a situation matching the proposed solution.</p>	<p>A press trip provides the journalist with an opportunity to see a practical example demonstrating the</p>	<p>Higher cost (transportation, accommodation if needed)</p>

	<p>Journalists, identified as important for the medialization of the topic, are transported to a venue where they can become acquainted with a successful practical application of a specific solution, for example in cooperation to be acquainted with a success story entrepreneur in the Czech Republic.</p>	<p>applicability of solutions promoted by the campaign.</p> <p>The outcomes are usually quite interesting, with exclusive reports on practical applications often readily accepted by the audience.</p> <p>A press trip is another tool that contributes to the building of positive relationships with key journalists.</p>	<p>High organizational demands and the need to develop a detailed agenda for the trip.</p> <p>Some editorial offices do not permit their journalists to participate in press trips.</p> <p>Press trips can be seen as time-consuming by journalists.</p> <p>Participation is open to a very limited number of journalists.</p>
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*Utilizing the potential of internal staff*

Efforts to increase the exposure and awareness of the campaign and its relevance can be advanced considerably stakeholders at the ministry and other government bodies. Those in regular contact with media, e.g. the prime minister, the minister of finance, deputy ministers, etc., should have the knowledge about the campaign and its key message and should be trained regularly in this regard to promote the campaign and its goals. Their involvement will provide information to the media and thus extend the campaign’s reach. Such trainings should take part once a year. This approach will ensure that individuals entrusted with promoting the campaign in their media statements are always informed with up-to-date information.

*Action 1.1.2: Paid advertising campaigning*

The use in a campaign of paid content ensures that essential information reaches the intended recipients in the form specified in the initial request. The success of this part of the campaign hinges on the identification of specific media followed by the target group.

Paid content offers a fundamental advantage in being published in exactly the same form in which it has been created by all media with which a commercial partnership has been agreed. The quantity of text, the positioning of it in print media and the duration of the displaying of the content in online media can all be considered during the campaign planning stage. Since commercial partnerships are essential for the existence of traditional media and often provide the majority of their income, such partnerships also help to build positive relationships with editorial offices that may become more inclined to publish other than paid content as well.

Effective communication requires a combination of paid content with its organic counterpart that is based solely on media relations, i.e. the development of positive relationships with journalists, described in some detail in the next chapter.

**Table 10: Advertising tools**

Tool	Description	Benefits	Disadvantages
<p><b>Print Advertising</b></p> <p>Importance: ••••</p>	<p>Print advertising ensures publishing of the intended message exactly as created by the client.</p> <p>It is usually published in sections of dailies and magazines dedicated to commercial messages and thus clearly separated from reporting and editorial content.</p> <p>Paid advertising provides for greater creativity, with the use of e.g. prominent graphics, infographics, photos, less text, a powerful motto, and campaign logo.</p> <p>Print advertising can also contain a strong call to action, such as asking readers to visit a dedicated website.</p>	<p>The content of paid print advertising is specified directly by the client, avoiding the risk of message distortion.</p> <p>The client knows exactly what they are paying for: when ordering print advertising, both the extent and positioning in the media is specified in the order.</p> <p>There is room not only for bolder wording but also for more varied graphic designs.</p>	<p>Publishing of materials is a paid service.</p> <p>Paid presentations are generally associated with reduced credibility. To utilize the potential of paid advertising, attractive, catchy content is required.</p> <p>Especially in the case of specialized and industry-oriented media with a lower frequency of issues, it is essential to adhere to specified deadlines for material submission.</p>
<p><b>Advertorial</b></p>	<p>Advertorial is a form of commercial presentation where the advertiser pays</p>	<p>Media does not interfere with content</p>	<p>Publishing is paid. Although</p>

<p>Importance: ••••</p>	<p>for placing its content in the selected medium. It publishes it in the editorial section, i.e. outside the space reserved for advertising. Although this content is clearly referred to as paid, the text is close to the classic editorial material. The terms of the publication are clearly defined and, as a rule, the location of the advertorial, such as the page order of the printed diary.</p> <p>The advertorial is very suitable for cases where more complex issues need to be explained. Its form should match both the chosen topic and the expectations of the target group - article, report, or interview.</p>	<p>unless the text exceeds a defined range, or fundamentally does not conflict with key media values or Czech law.</p>	<p>advertorial style is adapted to content, consumers generally perceive a commercial presentation with more mistrust than regular news.</p> <p>Especially in the case of specialized and industry-oriented media with a lower frequency of issues, it is essential to adhere to specified deadlines for material submission.</p>
<p><b>Banner online advertisement</b></p> <p>Importance: •••••</p>	<p>This type of advertising can be deployed directly on websites visited by the target group.</p> <p>Banner advertising offers a choice of types of presentation with the core motif being a prominent visual design with a call to action.</p> <p>The purpose of banner advertising is to notify recipients of the campaign's existence and motivate them to visit a dedicated microsite by clicking the banner.</p>	<p>There is a wide selection of media that would display the banner. It is also possible to assess the impact on the target group at the banner-displaying websites and adjust cost limits.</p>	<p>It is a paid solution.</p> <p>A banner is not a suitable medium for a greater amount of text.</p> <p>Reliable conveying of content depends on the website visitor's willingness to click the banner</p>

			and visit the campaign's web page.
<p><b>SEO - Search engine optimization</b></p> <p>Importance: •••••</p>	<p>It is a set of tools configured by professionals to ensure that an online search using keywords returns information related to the campaign (campaign's microsite in particular) among top-positioned search results.</p>	<p>It is a key factor in an online campaign's success, especially if relying on a microsite. High-quality optimization results in the microsite appearing near the top in inline searches helping intended message recipients to find their way.</p>	<p>It is a paid solution.</p>
<p><b>Facebook advertising</b></p> <p>Importance: •••••</p>	<p>As a social network, Facebook offers free accounts, including accounts established for the purposes of advertising campaigns.</p> <p>On the other hand, the network is rather restrictive in what can actually be viewed by the network's users, including members of the campaign's target group.</p> <p>Without a financial contribution, posts are not displayed in users' feeds, often including subscribers of the source Facebook account, leaving the potential of published posts (texts, images, videos, infographics) largely untapped.</p> <p>Posts can be sponsored – coupled with a payment, together with a specification to whom they should be displayed. This measure greatly improves reach.</p>	<p>Facebook enables the specific targeting of published posts at the campaign's desired target group. Individual selection criteria can be combined to target e.g. male of 18 to 60 years of age, living in a city.</p> <p>The tool is highly configurable, affordable and adjustable.</p>	<p>It is a paid solution.</p>

	At least some financial support is essential for an effective Facebook presentation.		
<p><b>Radio sponsoring</b></p> <p>Importance:</p> <ul style="list-style-type: none"> <li>• •</li> </ul>	<p>In this case, the campaign relies on radio advertising to attract attention.</p> <p>It is advisable to select shows that are attractive to the desired target group and have the advertising spots broadcast during such shows.</p>	<p>Radio advertising lends itself to some creative approaches, such as the use of a popular actor to deliver the message.</p> <p>Messages are usually repeated several times a day.</p>	<p>It is paid content that also makes it somewhat difficult to reach precisely the desired target group.</p> <p>It is necessary to record and supply the advertising spot.</p>
<p><b>Outdoor ads</b></p> <p>Importance:</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<p>Outdoor advertising, such as posters and banners, is installed in locations frequented by the campaign’s target group, such as business compartments on trains or golf resorts. It provides information on the campaign and directs the target group to places that provide further information (e.g. microsite).</p>	<p>Outdoor advertising can be installed in locations where it is easily visible to the target group.</p>	<p>It is comparably more expensive and carries greater time demands in terms of the preparation and coordination of multiple parties (lease of advertising surfaces, ad design, printing and installation).</p>

**Objective 1.2: Run targeted information campaign**

In addition to mass campaign, the Strategy also proposes a more direct approach and use direct communication tools to help raise awareness about capital market tools. This way, the campaign can fully utilize contact databases already owned by participating institutions. Recommended tool in such approach is direct mailing in form of newsletters (e-mail databases) and printed letters (address databases).

*Action 1.2.1: Direct mailing*

Direct mailing enables the target group to be addressed directly: recipients find an important message either in their physical or electronic mail. The message informs them of something of interest taking place in their field, with potential benefits for themselves and their business stemming from their participation. It is advisable to employ two basic tools: a regular newsletter and a traditional letter.

**Table 11: Direct mail tools**

Tool	Description	Benefits	Disadvantages
<p><b>Newsletter</b></p> <p>Importance: ••••</p>	<p>Government institutions (such as ministries and subordinate agencies) maintain contact databases that can be used for the regular distribution of a newsletter as well as informing of an upcoming campaign.</p> <p>It is recommended that additional contact information is collected during the campaign and included in a database of campaign newsletter recipients.</p>	<p>A newsletter is an attractive communication tool for informing consenting recipients of news, important facts, interesting case studies and more.</p>	<p>It is necessary to heed regulations regarding the protection of personal data (GDPR). It is necessary to obtain consent for the newsletter delivery.</p>
<p><b>Letter</b></p> <p>Importance: •••</p>	<p>Recipients receive a traditional letter containing information on a campaign.</p> <p>This campaign tool is suitable namely for addressing recipients at a time when a more direct call to action is required, e.g. if a road show is about to visit and letter recipients should be notified.</p>	<p>It feels more personal and creates a feeling of importance.</p>	<p>It is a slightly outdated solution.</p>

**4.6.3 Goal 2: Raise interest to learn more about the capital market instruments**

Once the awareness of capital market instruments among the target audience is increased, the campaign will need to focus on raising interest of the audience to learn more about given instruments and how can they help finance and further-develop their companies. The communicator will enter an educational phase of the campaign.

To educate the target audience, the communicator will need to create a hub, where all the information and data is stored and presented to the target audience in clear, informative and interest-raising way. Today, our audience is present in two interconnected worlds – online and off-line. To fully reach the audience, the communicator will need to utilize both. Therefore, this Strategy proposes two suitable tools



to be used as such hubs – online educational microsite (specialized website with all the information on capital market instruments for SMEs) and printed leave behind materials for personal interaction with the target audience.

**Objective 2.1: Launch educational microsite**

Based on the example from the best practice of Finance Desk of Chamber of Commerce in the Netherlands, the campaign involves the creation of a dedicated online microsite operating under the auspices of the ministry. It provides important information without the need for complicated searching or familiarity with the ministry’s website. The very existence of a dedicated microsite underlines the campaign’s importance.

*Action 2.1.1: Microsite development*

The microsite is one of the most essential tools of the whole campaign. The website is to operate as a single repository of all necessary information. It summarizes facts related to the campaign: reasons for its launch and information on who is behind it and who funds it. It will also prominently feature the campaign’s road show and its stops as it traverses individual regions. Visitors to the microsite will also learn about campaign news.

It is also possible to use the microsite to publish video clips, infographics and interesting texts, such as success stories. It can also contain a section for journalist providing press releases as well as a basic press kit and contact information of communication specialists responsible for the campaign.

A key feature of the microsite is a database of solution providers providing information necessary to find the nearest professional operating under the auspices of the ministry and offering professional advice.

The microsite is linked to various social networks included in the campaign via relevant accounts on Facebook and LinkedIn.

**Table 12: Microsite architecture**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<p><b>Basic optimization</b></p> <p>Importance: •••••</p>	<p>The microsite contains a range of tools that complement its contents (e.g. keywords, captions, page names) and facilitate easier searching for the website using search engines.</p>	<p>Basic optimization is key to the website’s operation and searchability using online web search engines.</p>	<p>Development entails extra costs.</p>
<p><b>Responsiveness</b></p> <p>Importance: •••••</p>	<p>The microsite is designed as responsive, meaning that it can be easily viewed using mobile devices such as tablets and smartphones. The</p>	<p>The measure ensures that the website can be easily viewed using devices such as</p>	<p>Development entails extra costs.</p>

	website is rendered according to the screen used maintaining ease of use.	tablets and smartphones.	
<b>Design</b> Importance: •••••	The microsite uses a simple and clear design, fully in line with both its purpose and the overall visual style of the campaign.	The design used ensures visitors enjoy browsing the website and supports the website's clarity.	Development entails extra costs.

### *Action 2.1.2: Content marketing*

In addition to traditional public relations tools, such as press releases, other materials will also be prepared that will serve to provide attractive content for both the microsite and social network accounts. Such materials will also be of interest to the media as they will provide summaries of essential information in an attractive form. Proposed materials include explanatory texts, infographics and images.

**Table 13: Content formats**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<b>Short text</b> Importance: •••••	Key information, tutorials, interesting short points for potential customers.	Comprehensive information provided the online audience with a short attention span	High-quality copywriting required.
<b>Infographics</b> Importance: ••••	Illustrated process of how a firm can get in touch with a capital market broker - inspiration at <a href="http://www.chcidatovku.cz">www.chcidatovku.cz</a>	Comprehensive information provided the online audience with a short attention span	At least basic graphic processing required.
<b>Pictures</b> Importance: ••••	Images (photos, illustrations) always contribute to a topic's attractiveness.  Images of people talking about the purpose of the campaign and recommending the campaign can be used for specific purposes, increasing the campaign's credibility.	There is a high demand for visual materials among the media and the provision of attractive photos increases the chances of the topic featuring in the media.	At least basic graphic processing required.

*Action 2.1.4: Video production*

Videos are highly popular as a medium and their popularity increases with the proliferation of smartphones and tablets. The campaign will rely on videos to convey in an easy to digest form the most important facts, success stories and recommendations by successful entrepreneurs who have already deployed the promoted solutions in their businesses. Short and attractively constructed video clips can substitute any text materials. Videos have a great potential to interestingly present various topics.

Video clips lend themselves to a wide range of uses – they can be published on social networks and subsequently promoted to extent their reach, and they can be offered to the media, while the most interesting ones can be viewed on the microsite.

**Table 14: Video types**

Tool	Description	Benefits	Disadvantages
<p><b>Corporate video</b></p> <p>Importance: •••</p>	<p>Videos of this type provide an overall presentation of the campaign, the context in which the campaign was conceived, and its individual steps. It may contain infographics or testimonials by campaign representatives.</p>	<p>In a user-friendly manner, the video presents the campaign, the context of its launch, and the campaign’s purpose.</p>	<p>Such videos need to be original and entertaining to avoid boring the audience.</p> <p>Recording and editing of clips carries extra costs.</p>
<p><b>Testimonial</b></p> <p>Importance: •••••</p>	<p>A testimonial presents a real-life person declaring on camera that their business has already implemented the solutions promoted by the campaign and declaring them to be working and sensible.</p> <p>Such a person directly recommends the solutions and provides an explanation as to why they recommend them.</p>	<p>In a palatable form, testimonials provide evidence of the proposed solutions’ usability.</p> <p>They improve the campaign’s credibility.</p>	<p>It requires the creation of a virtual database of persons willing to support the campaign on camera.</p> <p>Recording and editing of clips carries extra costs.</p>

<p><b>Case study</b></p> <p>Importance: ••••</p>	<p>A case study video is similar to a testimonial, but it focuses on companies. It describes businesses that have implemented solutions promoted by the campaign. The video describes implementation steps and the companies' approach to tackling the steps. The video's overall mood is positive and motivational.</p>	<p>A case study video is a palatable way of showing that the proposed solutions work.</p> <p>These videos improve the campaign's credibility.</p>	<p>It requires the creation of a virtual database of real-life success stories and the willingness of involved persons to speak on camera.</p> <p>Recording and editing of clips carries extra costs.</p>
<p><b>Tutorial</b></p> <p>Importance: ••••</p>	<p>Videos of this type provide a simple guide providing step by step instruction. They help viewers acquire a better understanding of the issue at hand and reduce the risk of mistakes. They convince viewers that they can manage the steps required.</p>	<p>Tutorial videos provide simple and useful instructions that in turn improve the campaign's impact.</p>	<p>Recording and editing of clips carries extra costs.</p>

There are two main ways of obtaining relevant case studies or testimonials. The first involves acting in a collaboration with relevant specialists (intermediaries, most likely) to identify businesses that can offer captivating stories suitably descriptive of the benefits of alternative financing and whose management is willing to participate in the campaign. This solution offers distinct time saving benefits as well as a considerable degree of control over the message content. Another benefit stems from the fact that the resulting attractive and motivating case studies can be available at the launch of the campaign.

The other possibility is to organize a competition that would induce businesses to apply of their own accord. However, this approach is considerably more demanding in terms of time, finances and organization. What's more, the competition can only be held once the campaign has started. The degree of control over the content is also diminished: it is possible that the competition would attract businesses whose stories would not fit the needs of the campaign or that there would not be enough suitable stories.

**Objective 2.2: Provide promotional materials**

The campaign involves the production of a range of supporting items and materials. Some may only serve an informative purpose providing recipients with extra information. Others may double up as gifts that

help to build a positive attitude towards the campaign and draw attention to it for an extended period following their presentation.

*Action 2.2.1: Leave-behind materials*

The first type of promotional materials is printed materials summarizing basic information on the campaign, providing necessary contact information including a link to the campaign’s microsite that contains additional information.

**Table 15: Leave-behind materials**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<b>Business card</b> Importance: ••••	Business cards are made in accordance with an approved visual style matching the campaign’s style. Business cards contain contact information of the campaign representatives or solution providers. They enable the card recipient to contact the particular person at any time following the initial meeting.	An inexpensive solution that lets the recipient think matters over and contact the relevant person later. Placing a QR code with a link to the web is fully recommended too.	The business card allows only a limited number of texts.
<b>Leaflet</b> Importance: •••	Leaflets provide basic information on the campaign: the reasons for its launch, basic principles and individual steps. They guide recipients to the dedicated microsite with additional information.	An inexpensive solution that lets recipients become acquainted with the topic in comparative brevity before looking up additional information online.	Leaflets must be regularly reprinted for their news updates limitations.
<b>Brochure</b> Importance: ••••	A brochure is a more extensive and more detailed counterpart to a leaflet. It guides recipients through the campaign’s individual steps and may contain references to case studies. It provides arguments in favor of becoming involved with the campaign as well as a link to the dedicated microsite.	A brochure lists interesting information about the campaign, explains supporting arguments and guides the recipient towards taking specific steps and looking up additional information about the campaign.	A brochure is more demanding and expensive to produce.

*Action 2.2.2: Branded materials*

Recipients showing an interest in the campaign are rewarded with small promotional gifts. These can be handed out at individual invest points visited by recipients, at workshops or during the tour through the regions.

Promotional materials are designed to be easy to carry home. The objective is to create a positive feeling of having received a gift that will, through its graphic design, spontaneously continue to call attention to the campaign. We therefore propose procuring the promotional materials described below. What they have in common is a reasonable cost, ability to follow the campaign's visual style and practical utility value. Other benefits include quick production, easy storage and handling, and the possibility of ordering additional quantities at any time.

**Table 16: Promotional materials**

Tool	Description	Benefits	Disadvantages
<b>Sticker or badges</b>  Importance: • •	The campaign and its purposes can be promoted using a set of stickers and badges bearing the campaign's main message. Recipients who use the stickers or badges will become the campaign's promoters. Publicly visible stickers and badges will call attention to the campaign.	Despite its low cost, a sticker or badge promotes the campaign's clear message.	Rather low likelihood of a practical use.
<b>Branded writing accessories</b>  Importance: • •	<p>Writing utensils make popular promotional materials, thanks to their relatively low cost and high utility. The campaign will use a sizeable number of pens with a production finish that refers to the campaign. They will be handed out during personal meetings at workshops and invest points. The aim is to distribute practical gifts that will double as a reminder of the campaign.</p> <p>The cost depends on the pen type (from luxury fountain pens to cheaper plastic ball pens), surface finish (engraving is more enduring but also more expensive than simple print), and the number of colors used.</p>	<p>A great selection of pen types and price levels. The cost can be reduced considerably. A pen is generally used repeatedly, often, and over an extended period of time, while acting as a reminder of the campaign.</p> <p>A considerable quantity can be procured without significant issues with storage. Pens can bear a basic visual motif, such as a logo or the main motto of the campaign.</p>	The use of these tools is common in campaigns, and the recipient may not distinguish among them.

#### 4.6.4 Goal 3: Engage entrepreneurs in considering the real use of the capital market

In this Strategy, the communicator has created and increased awareness, and educated our target audience about the capital market instruments to finance small and medium enterprises. In the next step, the communicator needs to engage those members of the target audience, who are currently looking into the ways of financing their company, to consider the real use of capital market instruments.

This communication step assumes the use of such channels, where more personalized approach to providing information is applicable. To achieve this goal, the communicator will need to start building the

relationship with potential “customers” and start building a two-way dialogue with the target audience. Considering the level of sophistication of the issues of capital financing and the needs of our target audience, face-to-face approach is recommended to achieve given campaign goals.

To provide the audience detailed description of capital market instruments, expert opinions and recommendations, the best applicable channel proposed by this Strategy drawing from the best-practices from Slovakia (BIC Bratislava) and Croatia (Financial Literacy for Business in Croatia) , which are described in detail in the Preliminary Report, are daylong regional entrepreneur workshops.

**Objective 3.1: Create platform for solution providers**

The microsite is connected to an important instrument in the form of a contact information database of solution providers willing to provide advice to the campaign’s participants contemplating new ways of financing their business operations.

*Action 3.1.1: Solution providers database*

The database contains all the contact information of the solution providers. It is presented in a user-friendly and intuitive way. An important function is the ability to filter solution providers by region, contributing to the ease of organizing meetings and obtaining advice.

**Table 17: Database tools**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<b>Open platform</b> Importance: ● ● ● ● ●	The database of names and contact information of available solution providers is publicly accessible to any potential campaign participant.	The database helps in finding one’s way, obtaining information on available solution providers and contacting them.	No disadvantages
<b>Localization</b> Importance: ● ● ● ● ●	A fundamental function of the database is the ability to filter solution providers easily according to geographic regions. Campaign participants thus do not risk having to travel long distances to visit a solution provider.	Campaign participants can easily find the nearest solution provider.	No disadvantages

**Objective 3.2: Organize regional events**

To fully engage the entrepreneurs and TOP management of SMEs, the campaign needs to utilize tools that enable the campaign owners to meet with target audience in person. Based on the best-practice



approaches identified in the study, form of regional workshops and branded regional roadshow are recommended.

*Action 3.2.1: Regional workshops*

It is essential that the campaign is not run from a single central point. It must come to the potential participants in the regions, as shown in the successful Best Practice examples from Croatia or Slovakia. For that purpose, workshops will be organized with experts travelling to meet potential campaign participants in individual regions. Workshops will be held in regional cities. To achieve synergic effects and budget effectiveness, this Strategy proposes to organize the events at the venues directly controlled by public authorities. At the workshops, both the campaign’s experts and entrepreneurs who have already implemented the promoted solutions will present their know-how and experiences.

**Table 18: Workshop tools**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<b>Keynote speaker</b>  Importance: •••••	Workshops will make use of a charismatic and compelling moderator / keynote speaker familiar with the topic and capable of presenting it to the audience in an attractive form.	The keynote speaker will help the audience understand and remember key information.	Extra cost
<b>Unique venue</b>  Importance: •	Suitable venues will be secured for the purposes of holding workshops.	Pleasing and representative venues help to create a positive impression of the campaign.	Extra cost
<b>Club of Mentors</b>  Importance: •••	The campaign will use positive experiences of business owners and managers in switching to a different form of business financing. The conveying of personal experience has the potential of swaying those who might hesitate. It would also provide those who decide to participate with guidance and recommendations and point out possible pitfalls.	Workshop participants contemplating the use of a different form of financing will have an opportunity to meet representatives of businesses that have already successfully implemented alternative solutions – offering motivation by positive example.	This approach hinges on finding business owners/managers willing to participate in the campaign of their own accord or in response to suitable motivation.

*Action 3.2.2: Regional roadshow*

To provide full information about capital market solutions, the Strategy recommends supplementing the workshops with regional roadshow, which in terms of this campaign is creating a team with a branded car and informative materials. The roadshow can participate at the event in form of a specialized stall, providing valuable additional information and materials to the participant, as well as informing them about the campaign goals and reasons. Except from the workshops, the roadshow team can also be used at specialized third-party conferences or business fairs.

**Table 19: Roadshow tools**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<b>Promotion team</b>  Importance: • • •	A supporting promotion team that accompanies experts to regional events provides the necessary support and assists in organization.  The team is well-briefed and capable of providing important information about the campaign to potential participants while also handing out promotional materials.  The team operates around a branded table or counter that also captures attention.	Uniform clothes matching the campaign's visual style emphasize the professional approach to the campaign.	Extra cost of production of clothing and the branded stand.
<b>Banners and signs</b>  Importance: • • •	Roll-up banners or signs following the campaign's visual style are positioned near the place to meet potential campaign participants.	Banners are a useful mobile device that can travel around the country with the campaign.	Extra cost of production.
<b>Awards</b>  Importance: • • • •	Competitions and awards can be organized for businesses that have changed their sources of financing or plan to do so. Businesses could be motivated e.g. with small rewards. Competitions and awards can increase the media exposure and awareness of the campaign among businesses.	Competitions and awards would produce additional attractive content e.g. for social networks. There is also the potential to identify suitable case studies through competitions and awards.	As an approach it is rather demanding in terms of organization, time and financial and human resources while never really guaranteeing the desired outcome.

### Objective 3.3: Launch own social media platform

Social networks are increasingly popular channels of communication. A considerable proportion of the population is growing, spending a considerable amount of time at these channels - in 2018 it was an average of 149 minutes per day<sup>29</sup>. The communication should reflect this fact and exploit the potential of social networks to reach the target audience.

It is not recommended that a dedicated Twitter account is used for the campaign. Contrary to other countries, the social network is not particularly popular in the Czech Republic. Existing Twitter accounts of the ministry or even individual ministers will become involved. They are followed by relevant journalists for whom the campaign presents an attractive topic. Journalists will thus be able to rely on these accounts to obtain timely information about upcoming events and achieved results.

The campaign will rely considerably more on Facebook and LinkedIn. They represent additional means of communication fully under the campaign's organizers' control.

#### *Action 3.3.1: Facebook profile*

Facebook is by far the most popular social network in the Czech Republic. Some 5.1 million Czechs have a Facebook account, i.e. more than two thirds of the country's population active on the internet<sup>30</sup>. As many as 99 percent of internet users are familiar with Facebook. Its popularity remains high among higher-age groups, matching the campaign's target group. Among those aged 35 or below, some 90 percent are active on Facebook, with penetration dropping to 50 percent for those up to 45 years of age, and 30 percent for those up to 55 years of age.<sup>31</sup>

**Table 20: Facebook tools**

Tool	Description	Benefits	Disadvantages
<b>Contest</b>  Importance: • • •	Various contests will be held as part of the creation of attractive content to be shared by Facebook users. The contests will aim to engage users and prompt them to share their own stories as well as to keep following the campaign's Facebook account.	Engagement of Facebook users in the campaign, motivation to share their own experiences.	To maximize reach, posts should be promoted, at an extra cost.

<sup>29</sup> <https://www.ecommercebridge.cz/jak-se-dari-socialnim-sitim-v-cesku/>

<sup>30</sup> Source: Netmonitor, September 2018 (<https://www.czechcrunch.cz/2018/09/facebook-v-cesku-pouziva-kazdy-mesic-pres-5-milionu-lidi/>)

<sup>31</sup> Source: <https://365tipu.cz/2016/11/06/tip650-kolik-ma-v-cesku-facebook-uzivatelu-jak-je-to-s-vekem-proc-jsou-ta-cisla-tak-podivna/>

<p><b>Survey</b></p> <p>Importance: ••••</p>	<p>Facebook surveys offer an attractive, engaging and entertaining way of prompting users to act and become involved in the campaign.</p>	<p>Increased involvement of Facebook users in the campaign.</p>	<p>In order to maximize reach, posts should be promoted, at an extra cost.</p>
<p><b>Slideshow</b></p> <p>Importance: ••</p>	<p>Slideshow presentations of image materials prepared in advance offer an attractive and undemanding way of presenting interesting information associated with the campaign.</p>	<p>Illustrative and entertaining form of presenting important information that prompts further sharing with others.</p>	<p>In order to maximize reach, posts should be promoted, at an extra cost.</p>

*Action 3.3.2: LinkedIn profile*

LinkedIn is a professional networking tool, which makes it highly valuable to the campaign. It is used by business owners and people responsible for company finances. They use LinkedIn to identify potential employment candidates, present their own companies, and follow latest trends. That creates conditions conducive to noticing and following the campaign.

**Table 21: LinkedIn tools**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<p><b>Thought piece</b></p> <p>Importance: •••</p>	<p>Thought pieces express the campaign’s key information and ideas. They incorporate a wide range of arguments, including experience from abroad, to demonstrate the workability, utility and benefits of the promoted solutions.</p>	<p>Thought pieces deliver essential values and ideas to the network users, doing so in a user-friendly manner that inspires sharing.</p>	<p>This tool requires an authentic author, high expertise and a great deal of preparation.</p>
<p><b>How-to-article</b></p> <p>Importance: ••••</p>	<p>It is a text counterpart to a video tutorial. How-to-articles provide step by step instruction on how to proceed.</p>	<p>How-to-articles describe the whole process to users and emphasize its simplicity and ease.</p>	<p>This tool requires a high expertise and a great deal of preparation.</p>

<p><b>Infographics</b></p> <p>Importance: ••••</p>	<p>Infographics provide clear overviews of key campaign information and present it in a form that is both attractive and easy to comprehend.</p>	<p>It is possible to reuse infographics previously created e.g. for the microsite. Such reuse saves time and resources while increasing reach into another target group.</p>	<p>Infographics created specifically for LinkedIn require additional graphic design.</p>
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**4.6.5 Goal 4: Activate potential issuers to reach out the intermediaries**

In this, final phase of the campaign, the communicator needs to harness the results of the information campaign described above and push the part of the target audience, for which the capital market instruments are a suitable solution to their current company needs, into the final step of the process – action. The desired result of this Strategy is a member of a target audience with an actual need of enterprise financing entering into direct negotiation with a capital market solution provider about the most suitable means of utilizing the capital market instruments for their company needs. This paragraph will describe means, how to achieve this final step of communications process and transfer the communication into a real action.

**Objective 4.1: Call-to-action**

The overriding objective of the campaign is to convince the greatest possible proportion of the target group to consider alternative ways of financing their business operations and contact solution providers ready to help with the transition. In this sense, the whole campaign acts as a call to action.

There are also constituent objectives and tasks, such as the collection of contact information from campaign participants. This purpose is served by the set of tools described below.

*Action 4.1.1: Contacts acquisition*

**Table 22: Call-to-action tools**

Tool	Description	Benefits	Disadvantages
<p><b>Query form</b></p> <p>Importance: •••••</p>	<p>A questionnaire offers a palatable way of collecting contact information.</p> <p>An example is a questionnaire handed out during a workshop seeking an evaluation of the workshop’s comprehensibility and the usefulness of provided information.</p>	<p>An inexpensive way of collecting important contact information with the consent of the respective owners/participants.</p>	<p>It is imperative that contact information is collected in compliance with relevant regulation on the protection</p>

	It often helps to motivate potential respondents with small rewards or the chance to win a bigger prize in a draw.		of personal data.
<b>Event registration</b> Importance: •••••	A registration process at the start of an event can be a source of valuable contact information subsequently available for addressing the campaign’s target group. In return, participants obtain printed materials specified above (business cards, leaflets, brochures).	An inexpensive way of collecting important contact information with the consent of the respective owners/participants.	It is imperative that contact information is collected in compliance with relevant regulation on the protection of personal data.
<b>Non-binding offer</b> Importance: •••	A non-binding offer is a way of presenting to potential campaign participants the possible benefits of implementation of the promoted solutions while it doubles up as a tool to collect contact information.	An inexpensive way of collecting important contact information with the consent of the respective owners/participants.	It is imperative that contact information is collected in compliance with relevant regulation on the protection of personal data.

*Action 4.1.2: Remarketing*

Remarketing is a highly efficient form of advertising that targets persons who have already visited the campaign’s dedicated microsite. It is based on web browser cookies that in turn enable the displaying of further relevant messages to persons who have previously demonstrated interest in the campaign. Such advertising messages, for example in the form of online banners, then appear on other visited websites. Remarketing also works on social networks.

**Table 23: Remarketing tools**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<b>Analytical code</b>	An analytical code helps to mark and identify internet users who have already shown interest in the campaign	In combination with other tools, it provides an efficient way of	It is a paid tool.

<p>Importance: • • •</p>	<p>by visiting the microsite or one of the social network accounts associated with the campaign.</p>	<p>continuously drawing attention to the campaign and stimulating potential participants' interest.</p>	
<p><b>Conversion point</b>  Importance: • • •</p>	<p>Conversion is the step in which a member of the target group decides to show an active interest in the campaign (visiting the website, downloading a brochure).</p>	<p>In combination with other tools, it provides an efficient way of continuously drawing attention to the campaign and stimulating potential participants' interest.</p>	<p>It is a paid tool.</p>
<p><b>Remarketing ad</b>  Importance: • • • •</p>	<p>Internet users who have shown an interest in the campaign are shown additional online adverts when visiting other websites. Banners either prompt the user to return to the microsite or convey additional information.</p>	<p>In combination with other tools, it provides an efficient way of continuously drawing attention to the campaign and stimulating potential participants' interest.</p>	<p>It is a paid tool.</p>

**Objective 4.2: Infoline service**

Considering the complexity of the issue, the target audience will value a possibility to consult its needs with the experts not only at one-time opportunity of regional workshops. To meet such need, this Strategy proposes to create specialized toll-free info line, where SME representatives would be able to acquire needed information or advice. This tool can also be used as an active remarketing tool to actively follow-up on the contacts gained via other channels.

**Table 24: Infoline tools**

<b>Tool</b>	<b>Description</b>	<b>Benefits</b>	<b>Disadvantages</b>
<b>Toll-free number</b> Importance: •••••	A dedicated toll-free number will be available for the campaign's purposes. Trained operators will provide detailed information on the campaign, high-quality advice and answers to callers' questions.	It accommodates people interested in the campaign and provides them with timely and useful information.  It provides answers to detailed questions.	It requires reliable and well-trained staff.
<b>24/7 service</b> Importance: ••	The microsite and the toll-free line operate 24/7.	It ensures that users can obtain important information whenever needed.	It requires reliable and well-trained staff and extra costs.
<b>Call-back</b> Importance: •••	The microsite lets anyone interested in additional information provide their phone number and specify a time of day when they can receive a call. Trained staff then get back to them.	It is a powerful and well-received signal that the campaign's organizers do their utmost to accommodate potential campaign participants.	It requires reliable and well-trained staff.

## 4.7 Evaluation

To evaluate results and success of the communication campaign, this part focuses on setting the evaluation framework. It recommends which performance indicators are to be measured and when. Measured performance indicators must be in line with main goals of the campaign, which are following:

- Awareness: Build awareness of the capital market among SMEs
- Interest: Raise interest to learn more about the capital market instruments
- Consideration: Engage entrepreneurs in considering the real use of the capital market
- Activation: Activate potential issuers to reach out the solution providers

This Strategy sets a suitable measurable performance indicator for each of the campaign goals. Setting the exact values of KPIs will be strongly dependent on the allocated campaign budget, therefore this



Strategy only provides framework for measuring campaign performance and success but does not propose any exact values.

### **4.7.1 Measuring awareness**

Awareness is usually measured with a dedicated awareness survey among the target audience. Such survey should be realized in cooperation with respectable partner, for example agencies specialized in public opinion surveys.

To set base value of the awareness about capital market instruments, the campaign executors need to measure the level of the awareness before start of the campaign first. To evaluate increase values in the awareness, another awareness survey is proposed right after the end of the campaign. Considering the length of the campaign, which should be five years, mid-term survey is also proposed to evaluate campaign progress and asses if, any strategic amendments in communication messages or tools is needed.

Awareness survey are carried out on a pre-defined pool of respondents combined to closely resemble the structure of the target audience in socio-demographic values. The awareness is than assessed based on the survey result as a percentage of the target audience having awareness about the survey topic. For this campaign, the Strategy proposes to measure awareness level in following areas:

- Basic awareness of the sole existence of spectrum of capital market tools to finance the development of the company
- Awareness about capital market tools
- Willingness to consider such tools for the needs of the company

### **4.7.2 Measuring interest**

In the second step of the campaign, the main goal is to raise interest to learn more about capital market instruments. The information in this part of the campaign will be presented in two forms – online on a microsite and offline at via leave-behind materials at touch points and workshops. To measure the success of those tools, the Strategy proposes following measurement tools.

The Strategy proposes to evaluate number of microsite visitors in time to asses, how many people were attracted by the campaign to study the information provided. The campaign should evaluate this monthly and compare the results to campaign views and peaks as well as finance invested. Length of stay at the website can be measured to asses, how long the interest of any visitor was maintained. View rates of videos included on the microsite can also be measured.

To evaluate the results of a leave-behind printed materials, the campaign should monitor the number of materials distributed among the target audience. Should the materials include a specific link to the campaign microsite, the click through rate can be monitored.

### **4.7.3 Measuring consideration and activation**

The last pool of measurement instruments relates to the engagement and action of target audience members. To evaluate this part of the campaign, the Strategy proposes following tools.

To evaluate engagement, the campaign should monitor the number of visitors at the regional workshop against a benchmark set at the beginning of this activity. The campaign should monitor total number of engaged members of the target audience at the events as well as partial numbers for each separate event. Online feedback form is also proposed to be distributed via e-mail after each event to the participant evaluating overall satisfaction, the quality of information provided at the event and planned future action of the participant.

To evaluate last step of the campaign, transforming engagement in action, the campaign should measure number of active inquiries from SMEs to solution providers. Total volume of acquired financing can be measured on year-to-year basis. This should be measured in cooperation with solution providers on a yearly basis and the measurement should exceed the length of the campaign considering the complexity of the processes connected to the instruments.

#### 4.7.4 Summary

All the proposed measurement tools for the capital market campaign are summarized in the following table.

**Table 25: Evaluation tools**

<b>Goal</b>	<b>Possible evaluation tools</b>	<b>KPI</b>
<b>Awareness</b>	Awareness rate measured via awareness survey	To be set by the Project-owner
<b>Interest</b>	Number of microsite visitors (monthly) Length of stay at the microsite Videos view-rate Number of distributed leave-behind materials Click-through rates on the links provided online / offline	To be set by the Project-owner
<b>Engagement</b>	Number of visitors at the events / workshops Online feedback form measuring satisfaction, information quality and planned action	To be set by the Project-owner
<b>Activation</b>	Number of active inquiries for capital market financing solutions Volume of financing provided on the capital market	To be set by the Project-owner

#### **4.8 Action Plan**

The Action Plan is part of a longer-term strategic document and describes the priority activities leading to the objectives of the defined Communication Strategy on the capital markets literacy in the Czech Republic.

The Action Plan ensures the coordination of the activities of the individual Project owners, defines the necessary partnerships, defines financial resources for individual activities, describes the timing and justifies the need and impact of individual activities in the Czech Republic.

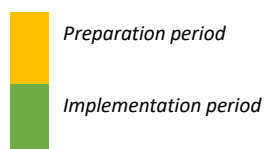
The Action Plan describes the activities in detail and follows the previous parts of the Strategy. The schedule is divided into the tables below according to the time sequence.

#### 4.8.1 Action Plan 2020 - 2025

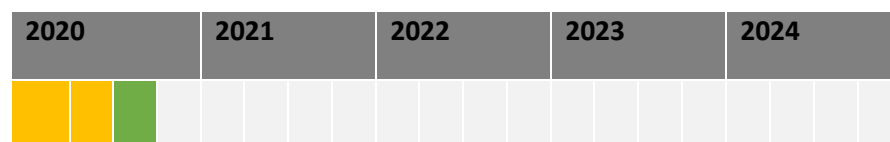
##### Action: Project owners' engagement

<b>Description:</b>	Involvement of relevant partners in the Project with division of roles and responsibilities.
<b>Goal:</b>	Engage entrepreneurs in considering the real use of the capital market
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest, CNB (recommended)
<b>Financial Allocations:</b>	--- mil. CZK (any allocations)
<b>Source:</b>	Czech Republic, European Union

**Notes:**



Time Schedule:



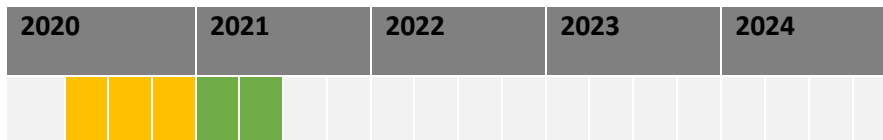
##### Action: Solution providers' database

<b>Description:</b>	Creating an online tool to find a suitable expert advisor on the capital market solutions.
<b>Goal:</b>	Engage Entrepreneurs in Considering the Real Use of the Capital Market
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance

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<b>Partners:</b>	CNB, AKAT, CVCA (recommended)
<b>Financial Allocations:</b>	--- mil. CZK (any allocations)
<b>Source:</b>	Czech Republic, European Union

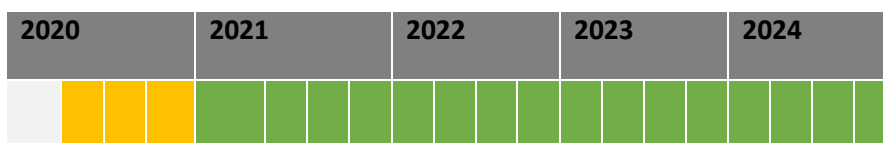
Time Schedule:



**Action: Touch points preparation**

<b>Description:</b>	Arranging a partnership with an institution operating regional branches suitable for setting up our own information network.
<b>Goal:</b>	Project market positioning
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest (recommended)
<b>Financial Allocations:</b>	--- mil. CZK (any allocations)
<b>Source:</b>	Czech Republic, European Union

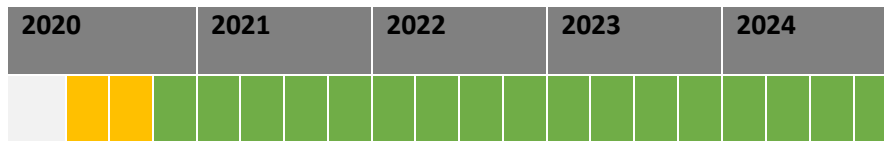
Time Schedule:



**Action: Content marketing**

<b>Description:</b>	Creating and editing professional content for all types of media and communication tools used during the campaign.
<b>Goal:</b>	Raise interest to learn more about the capital market instruments
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	CNB, AKAT, CVCA, EIF, EIB (recommended)
<b>Financial Allocations:</b>	0.5 - 1.5 mil. CZK
<b>Source:</b>	Czech Republic, European Union

Time Schedule:



**Action: Project identity development**

<b>Description:</b>	Creating a visual identity for the entire campaign, including creating a logo and slogan.
<b>Goal:</b>	Project market positioning
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	CzechInvest (recommended)
<b>Financial Allocations:</b>	0.1 – 0.3 mil. CZK
<b>Source:</b>	Czech Republic, European Union



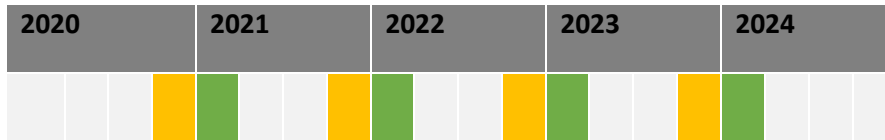




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<b>Goal:</b>	Raise interest to learn more about the capital market instruments
<b>Target Audiences:</b>	SMEs
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	CzechInvest (recommended)
<b>Financial Allocations:</b>	0.1 – 0.2 mil. CZK
<b>Source:</b>	Czech Republic, European Union

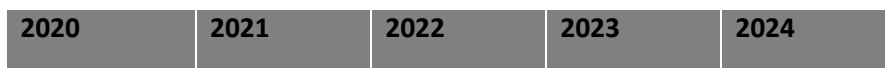
Time Schedule:



**Action: Branded materials**

<b>Description:</b>	Production of basic promotional items for distribution to serious candidates on capital market instruments.
<b>Goal:</b>	Raise interest to learn more about the capital market instruments
<b>Target Audiences:</b>	SMEs
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	CzechInvest (recommended)
<b>Financial Allocations:</b>	0.1 – 0.3 mil. CZK
<b>Source:</b>	Czech Republic, European Union

Time Schedule:

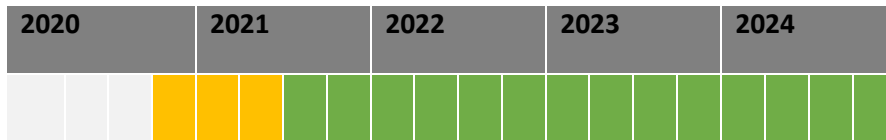




**Action: Direct mailing**

<b>Description:</b>	Content and technical preparation for publishing regular news in partner networks.
<b>Goal:</b>	Build awareness of the capital market among target audience
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	CzechInvest, AKAT, CVCA, HK ČR (recommended)
<b>Financial Allocations:</b>	0.2 – 0.3 mil. CZK
<b>Source:</b>	Czech Republic, European Union

Time Schedule:

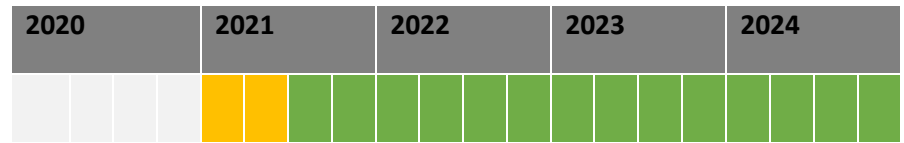


**Action: Media relations program**

<b>Description:</b>	Creation of a system of continuous communication with journalists.
<b>Goal:</b>	Build awareness of the capital market among target audience
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	CzechInvest, AKAT, CVCA, HK ČR (recommended)
<b>Financial Allocations:</b>	1.0 – 1.5 mil. CZK

<b>Source:</b>	Czech Republic, European Union
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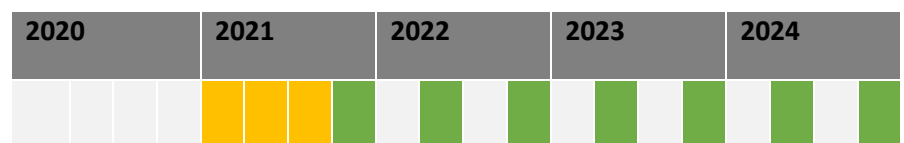
Time Schedule:



**Action: Paid advertising campaigning**

<b>Description:</b>	Planning and purchasing paid space in print and online media.
<b>Goal:</b>	Build awareness of the capital market among target audience
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest (recommended)
<b>Financial Allocations:</b>	1.0 – 3.0 mil. CZK
<b>Source:</b>	Czech Republic, European Union

Time Schedule:



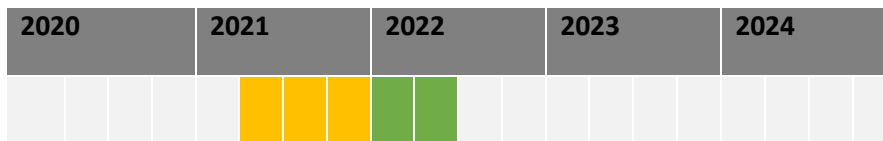
**Action: Regional roadshow**

<b>Description:</b>	Build a promotional team to visit own local events and/or events of Project partners.
<b>Goal:</b>	Engage entrepreneurs in considering the real use of the capital market
<b>Target Audiences:</b>	SMEs

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<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest, AKAT, CVCA (recommended)
<b>Financial Allocations:</b>	1.0 – 1.5 mil. CZK
<b>Source:</b>	Czech Republic, European Union

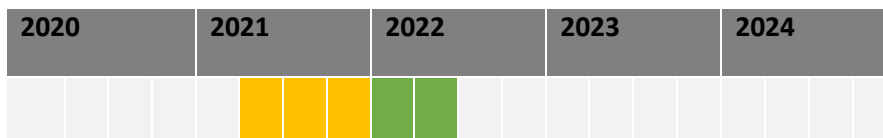
Time Schedule:



**Action: Regional workshop**

<b>Description:</b>	A series of expert seminars for representatives of both target groups.
<b>Goal:</b>	Engage entrepreneurs in considering the real use of the capital market
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest, EIF, EIB, AKAT, CVCA, HK ČR (recommended)
<b>Financial Allocations:</b>	0.5 – 1.0 mil. CZK
<b>Source:</b>	Czech Republic, European Union

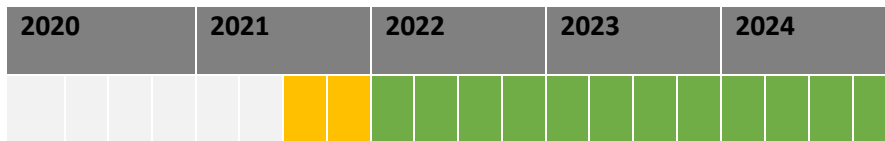
Time Schedule:



**Action: Facebook profile**

<b>Description:</b>	Management of own profile on social network.
<b>Goal:</b>	Engage entrepreneurs in considering the real use of the capital market
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest, EIF, EIB, AKAT, CVCA, HK ČR (recommended)
<b>Financial Allocations:</b>	0.5 - 1.5 mil. CZK
<b>Source:</b>	Czech Republic, European Union

Time Schedule:

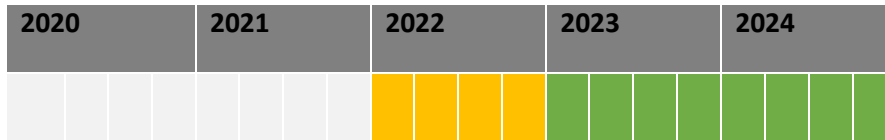


**Action: Infoline service**

<b>Description:</b>	Opening a telephone line for basic answers to those interested in meeting with capital market professionals.
<b>Goal:</b>	Engage entrepreneurs in considering the real use of the capital market
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest, EIF, EIB, AKAT, CVCA, HK ČR (recommended)
<b>Financial Allocations:</b>	1.0 – 2.0 mil. CZK
<b>Source:</b>	Czech Republic, European Union

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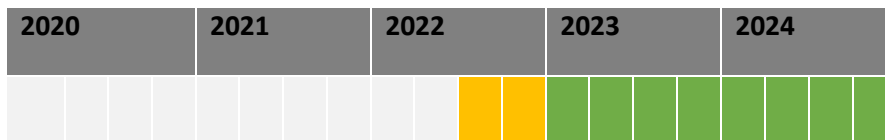
Time Schedule:



**Action: LinkedIn profile**

<b>Description:</b>	Management of own profile on professional social network.
<b>Goal:</b>	Engage entrepreneurs in considering the real use of the capital market
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest, EIF, EIB, AKAT, CVCA, HK ČR (recommended)
<b>Financial Allocations:</b>	0.3 – 0.7 mil. CZK
<b>Source:</b>	Czech Republic, European Union

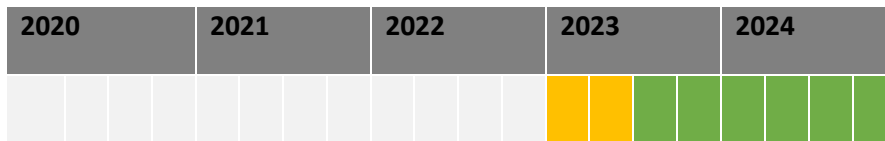
Time Schedule:



**Action: Remarketing**

<b>Description:</b>	Use online remarketing tools to capture previous interested SMEs from the past.
<b>Goal:</b>	Engage entrepreneurs in considering the real use of the capital market
<b>Target Audiences:</b>	SMEs, Intermediaries
<b>Supervisor:</b>	Ministry of Finance
<b>Partners:</b>	MIT, CzechInvest, EIF, EIB, AKAT, CVCA, HK ČR (recommended)
<b>Financial Allocations:</b>	1.0 – 2.0 mil. CZK
<b>Source:</b>	Czech Republic, European Union

Time Schedule:



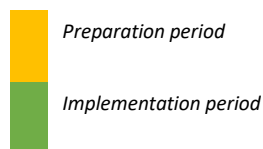
## Summary Action Plan 2020+

Below the table summarizing possible design of Action Plan is presented.

**Table 26: Summary Action Plan 2020+**

Action / Year	2020				2021				2022				2023				2024			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Initial Phase: Project Market Positioning</b>																				
Action: Project owners' engagement																				
Action: Touch points preparation																				
Action: Project identity development																				
<b>Phase 1: Build Awareness of the Capital Market Among Target Audience</b>																				
Action: Direct mailing																				
Action: Media relations program																				
Action: Paid advertising campaigning																				
<b>Phase 2: Raise Interest to Learn More About the Capital Market Instruments</b>																				
Action: Content marketing																				
Action: Microsite operation																				
Action: Video making																				
Action: Leave-behind materials																				
Action: Branded material																				
<b>Phase 3: Engage Entrepreneurs in Considering the Real Use of the Capital Market</b>																				
Action: Solution providers database																				
Action: Regional roadshow																				
Action: Regional workshop																				
Action: Facebook profile																				
Action: LinkedIn profile																				
<b>Phase 4: Activate Potential Issuers to Reach Out the Intermediaries</b>																				
Action: Contacts acquisition																				
Action: Infoline service																				
Action: Remarketing																				

**Legend:**





## **5 Topics and corresponding messages for a future communication campaign**

This chapter is based on the findings made within analysis of the Czech capital market ecosystem and identification of international best practices for improving low level of capital markets literacy of Czech capital market participants as well as on Strategy Action Plan for the communication campaign.

This chapter addresses the content strategy for the Project and aims to describe the story, key messages and topics to be presented to the target audiences within the framework of the communication campaign. This document also presents several examples of processing the key messages and topics into tools, like the press release, advertorial, etc.

### **5.1 Public debate on SME financing on the capital markets and coverage of the topic in Czech media**

The capital markets are heavily discussed and mentioned in the Czech media with average of more than 3 thousand mentions a year between 2015-2019<sup>32,33</sup>. However, most of those mentions do not cover the topic of this communication campaign, i.e. are not aimed at capital market tools suitable for financing small and medium enterprises. For the most used tools (corporate bonds, crowdfunding, START Market at Prague Stock Exchange) comprise less than fifth of all mentions<sup>34</sup>. The remainder usually do not concern SMEs financing.

Below is a more detailed analysis of the Czech media coverage aimed specifically on the four key capital market instruments. The analysis gives an overview of the public debate on the capital markets with focus on SME financing, key topics, activation points, overall tonality of the debate as well as Czech media, that tend to inform about capital market tools.

#### **5.1.1 Overall media analysis of the topic in 2015-2019**

##### **Development of the media coverage**

Out of the three key capital market instruments suitable for SMEs, only corporate bonds attract fairly steady media attention reaching around 150 mentions each year. Also crowdfunding tools are often referenced in media, however here the debate is usually linked to public crowdfunding platforms, rather than institutionalized platforms for corporate financing. The START Market gained noteworthy media attention in 2018, when the project was officially launched, however since then attention on this instrument has declined substantially.

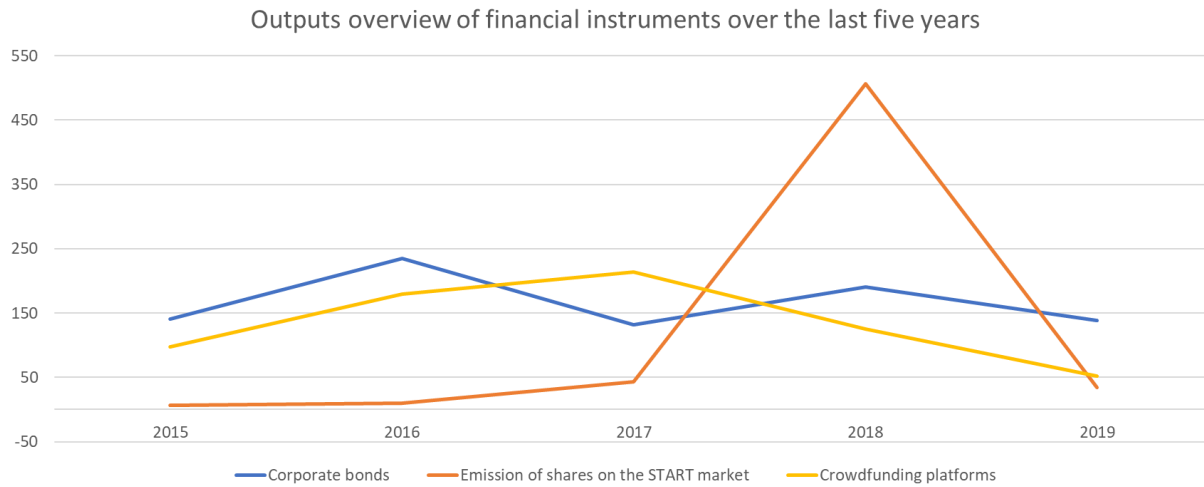
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<sup>32</sup> FleishmanHillard, analysed data from years 2015-2019

<sup>33</sup> This analysis was prepared as of June 2019 and therefore focuses on the timeframe between 2015-2019

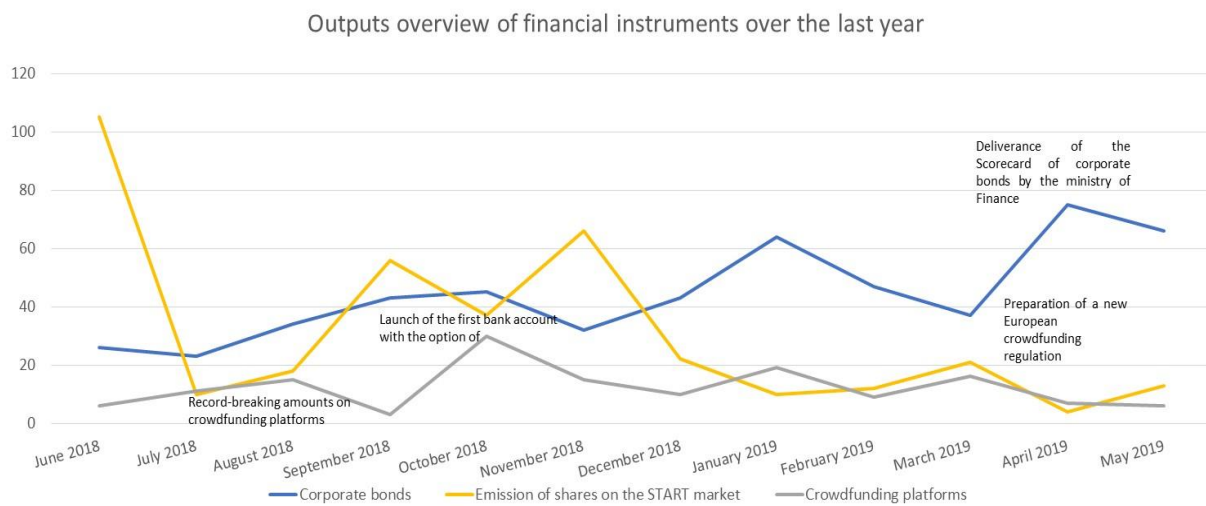
<sup>34</sup> FleishmanHillard, analysed data from years 2015-2019

**Figure 20: Media coverage of main capital market instruments between 2015 – 2019**



Source: FleishmanHillard

**Figure 21: Media coverage of main capital market instruments between June 2018 – May 2019 and main activation points**



Source: FleishmanHillard.

**Media types**

The public and media debate of the issue is driven almost solely by business and trade (in the sense of professional investor-oriented) media. The highest volume of coverage can be found in trade media, particularly online, some of which comes directly from investment companies (Partia.cz, Roklen.cz). Other significant volume of coverage is found in the general business media like Hospodářské noviny, E15 and their online versions. Therefore, professional public opinion and the opinion of concerned target audiences is shaped mostly by professional media. However, public opinion on the issue would mostly be shaped by general news media, particularly dailies and televisions. However, the coverage of the topic in

such media is limited and usually only appears when an issue arises. For example, the risk of investing into corporate bonds was covered by media in late 2018 and 2019.

Below in a table, a list of media with highest coverage volume can be found.

**Table 27: Media with highest coverage of the topic of capital markets**

Medium	Total number of articles (2015-2019)	Type
Roklen24.cz	220	trade, online
Investujeme.cz	153	trade, online
Patria.cz	107	trade, online
Kurzy.cz	99	trade, online
Investicniweb.cz	57	trade, online
Ihned.cz	56	business, online
Financni-web.cz	52	trade, online
Hospodářské Noviny	42	business, print

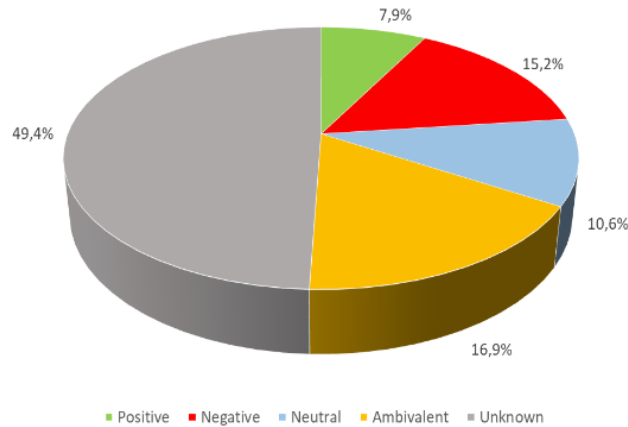
Source: FleishmanHillard

### 5.1.2 Corporate bonds – topics and tonality between June 2018 - May 2019

A corporate bond is an instrument with the stable media coverage over the years. Media usually gives information about it in connection with several key topics. First of those is raising the interest of Czech public about investment tools, corporate and state bonds being two of the options available to the public on top of classic investment tools provided by banks, like investment funds. Second would be information about case-studies of Czech companies issuing corporate bonds third topic, mainly present in the media during last 12 months of the timeframe analysed by this media analysis, is coverage of the risks connected to corporate bonds, specifically issued bonds of SME companies that are not being redeemed. Therefore, the Ministry of Finance announced and prepared a corporate bonds scorecard in 2019, which was a key activation point for the instrument's media coverage.

Considering the topics, most of the public debate on corporate bonds in neutral focusing on facts or providing the investment advice. However, towards the end of the analysed timeframe, negative publicity around risks corporate bonds might carry and about the regulatory framework arose. This is one of the issues the communication campaign will need to address.

**Figure 22: Tonality of outputs on corporate bonds, 2018-2019**



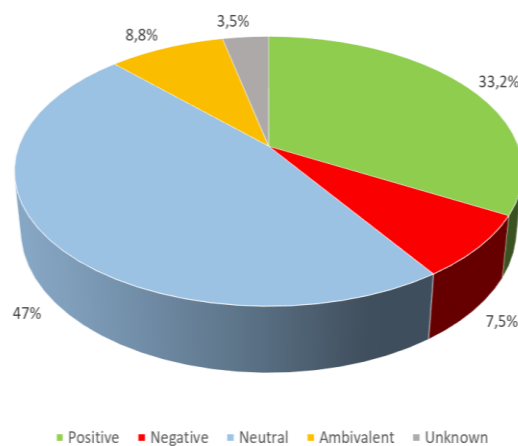
Source: FleishmanHillard

**5.1.3 START Market – topics and tonality between June 2018 - May 2019**

START Market at Prague Stock Exchange only came into public view later in 2017, when the plan to launch the platform was announced. However, the launch and first companies entering the START Market (e.g. Primoco, UDI CEE, AtomTrace) were topics which gained heavy media attention in 2018. During this year, the total coverage of START Market largely exceeded coverage of any other capital market tool. In contrast, during 2019 the media interest in the topic dramatically declined.

Tonality of most of the coverage was neutral with almost third of the coverage gaining positive tonality. Case-studies of successful companies entering and utilizing START Market is a topic the Communication Strategy should reflect to gain positive momentum and activation points in the future communication as well.

**Figure 23: Tonality of outputs on START Market, 2018-2019**

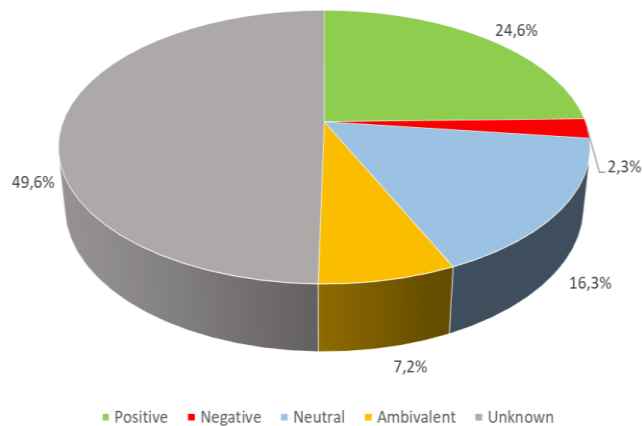


Source: FleishmanHillard

#### 5.1.4 Crowdfunding – topics and tonality between June 2018 - May 2019

Crowdfunding is another instrument gaining considerable media attention. There have recently been several topics that activated media debate in the issue, namely the record-breaking amount on crowdfunding platforms available in the Czech Republic, preparation of the new European crowdfunding regulation or the launch of the first bank account with the option of crowdfunding by Expobank CZ. Also, several success-stories of Czech SMEs utilizing crowdfunding platforms to achieve their entrepreneurial targets are mentioned. Overall tonality of the debate is mostly neutral with almost quarter share off positive mentions.

**Figure 24: Tonality of outputs on corporate bonds, 2018-2019**



Source: FleishmanHillard

#### 5.1.5 Summary

Overall, it can be observed that the financial instruments for SMES are already being covered by the Czech media, with testimonies of successful start-ups/projects, but also advices from experts how to approach and efficiently use those financial instruments. Moreover, even though certain financial instruments, such as corporate bonds, are preferred over others, such as mezzanine financing, there is still potential to advertise and inform about all three financial instruments in the Czech media. Therefore, in the recent case of the launch of the START market, there is certainly more space for advertisement in the Czech media to make SMEs more aware of these financial opportunities.

### 5.2 Content framework

The Communication Strategy for enhancing literacy of Czech companies in the area of capital markets is formulated for the period from 2020 to 2025. The main objective of the Strategy is to raise awareness of alternative corporate financing among owners and top management of small and medium-sized enterprises. Increased awareness should contribute to a greater interest in the capital market instruments and increase the willingness of entrepreneurs to learn more about this type of financing, resulting in the real increase in the number of applicants for alternative financing in the Czech Republic by 2025.

The Communication Strategy is proposed in the chapter Communication Strategy and Action Plan. This Strategy is set to reach the target groups within the Action Plan, the following communication goals were set to increase knowledge about alternative corporate financing:

### **Goal 1: Build awareness of the capital market among SMEs**

Awareness of capital market instruments in the Czech Republic is at a low level. The primary goal of our initiative is to build elementary awareness of what alternative financing is, why it is important, and how it can be realized.

### **Goal 2: Raise interest to learn more about the capital market instruments**

With raising awareness of capital market instruments, an education campaign must be launched in parallel for those who want to learn more about these forms of financing.

### **Goal 3: Engage entrepreneurs in considering the real use of the capital market**

The raising of interest must be accompanied by specific activities that will help to transform the plain curiosity to the real consideration.

### **Goal 4: Activate potential issuers to reach out to the solution providers**

The ultimate goal of this Strategy is to find specific entrepreneurs who have an active interest in meeting with solution providers and apply for alternative funding using capital market instruments.

### **Small and medium enterprises**

The Communication Strategy is primarily aimed to increase awareness of SMEs about alternatives of financing the development of the companies other than own funds and banking financing, namely capital market instruments. Therefore, in all communication activities proposed in further chapters, we need to aim the campaign messaging at the decision makers in the issue of long-term financing of small and medium enterprises.

As the legal definition of small and medium enterprises implies, companies of such size usually do not have a complicated structure of management. Usually, the decision makers in small enterprises will be limited to their owners or general manager. With medium enterprises we can expand the group to Chief financial officers and Chief operations officers.

### **Intermediaries**

Intermediaries are a specific target group that includes providers of both professional advice and actual financial solutions. This group particularly includes banks, brokers and other financial consulting companies. Messages targeting these intermediaries will differ from those aimed at SME owners and top managers.

The latter need to be educated and informed of the availability of alternative sources of financing. The intermediaries, on the other hand, are experts in their field, mostly familiar with the tools and their

practical application and with a strong potential to self-educate themselves in case of business opportunity. Therefore, communication targeting the intermediaries will present the campaign as an opportunity to provide services to a well-informed customer. As a result of the campaign they should improve their procedures to provide services with an improved quality.

### 5.3 Public profiling of the Project

Specific proposals on positioning of the Project's identity are suggested in this subchapter.

#### 5.3.1 Umbrella branding

To raise awareness of the Project and reach the minds of the target audience, the Project requires umbrella branding. Such umbrella branding must reflect the Project's core ideas and convey its objectives in a clear, simple and easy to remember way. The umbrella branding must be concise and punchy, while remaining professional and trustworthy, given the target group.

The Capital Markets Literacy in the Czech Republic Project aims to raise awareness of, and provide education on, the possibilities the capital market offers to SMEs in terms of raising finance. The Project's primary objective is thus education in the available ways of acquiring capital for starting and/or developing an enterprise. The word "capital" is of key importance here.

The Project also guides members of the target group through the world of the capital market, introduces its individual instruments along with their advantages and disadvantages, and offers advice on usage scenarios, including examples of successful implementations. The Project can therefore be personified as having the character of a guide.

#### *Box 4: Project name*

*We recommend using this name for the capital markets literacy Project in the Czech Republic:*

***Kapitálový průvodce [EN: Capital Guide]***

[www.kapitalovypruvodce.cz](http://www.kapitalovypruvodce.cz)

Small and medium sized businesses, as well as financial market intermediaries, will be guided through the world of capital financing by **Kapitálový průvodce** [Capital Guide]. Kapitálový průvodce will act as both the personification of the Project and as its umbrella branding.

The umbrella branding of Kapitálový průvodce [Capital Guide] matches the style of one of the case studies from abroad that inspired the development of the current Project, namely a project by the Dutch Financial Desk of the Netherlands Chamber of Commerce. In the Dutch case, the project was implemented under the umbrella branding of Nationale Finenziering Wijzer, or National Financial Guide in English.

### 5.3.2 Basic usage

#### **Umbrella branding for entire communication**

The Kapitálový průvodce [Capital Guide] naming will become a brand, owned by the Project's owner. A visual identity will be created for the brand (see below). The brand will provide an umbrella for the entire external and internal communication of the Project, from the communication campaign aimed at raising awareness (public relations, advertising) through the educational campaign (microsite, leave-behinds with the Capital Guide branding) to the engagement stage (touch points, workshops, etc.).

#### **Microsite**

It is recommended that an independent (second-level) domain is established reflecting the umbrella branding. The domain name *kapitalovypruvodce.cz* is available for purchase. The domain name is currently owned by the Project's co-author, FleishmanHillard. FleishmanHillard undertakes to transfer ownership of the domain name to the Project executor in return for compensation of meaningful expenses associated with the domain name.

#### **Touch points and advisers**

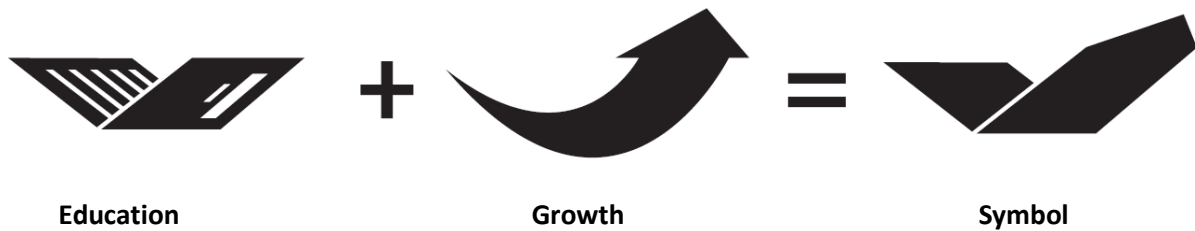
Kapitálový průvodce [Capital Guide] will also become the umbrella branding for touch points developed in collaboration with a suitable partner (CzechInvest according to a proposal submitted in Deliverable 2). Suitably trained persons will become both carriers of the Kapitálový průvodce [Capital Guide] branding and actual guides. Touch point venues will also use the Kapitálový průvodce [Capital Guide] branding; however, guides for representatives of small and medium sized enterprises will recruit from among individuals providing information and advice. The branding can also be utilised in other materials, such as business cards, t-shirts, stands, etc.

### 5.3.3 Visual identity for umbrella brand

For each brand to work in communication and for it to be memorable, it also needs a visual representation. Usually the core for a visual identity is a logo. Below, a proposal logo for Kapitálový průvodce [Capital Guide] can be found.



*Figure 25: Logo elements*



The logo should combine key elements of Capital guide brand with the suitable colours and typography. It uses two key visual elements: (1) a book / learning-book to represent the brand being a guide [průvodce], which guides the target audience through the world of capital financing; and (2) growing arrow, representing growth of the company, that can be attained by utilizing capital market financing.

Colours combine transition from pink to purple on purpose. Purple represents wealth and dignity as well as wisdom. The pink colour is a positive one often connected with love or relationships, but also representing stability and trust. Together they provide a colour combination which is both trendy and positively accepted across the society.

Typography used to visualise the name of the brand (Kapitálový průvodce – Capital Guide) is bold and thin Aileron font, a modern sans-serif font suitable for products in the finance sector.

*Figure 26: Logo proposal for Kapitálový průvodce [Capital Guide]*



Source: FleishmanHillard

## 5.4 Content strategy

Content strategy focusing on the key messages, core attributes and communication topics is described in this subchapter.

### 5.4.1 Key messaging of the communication campaign

#### Key campaign story

There are almost one million SMEs in the Czech Republic, with many other people also intending to start their own businesses. There will always be those who seek ways to obtain additional resources to start or develop their entrepreneurial activities. They usually rely either on their own funds or enquire with banks to find a suitable financing product. Only a few are aware of a third way to obtain the required funding: the capital market. Only one in five companies use the option. The other four are completely unaware of its existence, lack the necessary information or consider it too complicated, according to a survey by EY.

The Kapitálový průvodce [Capital Guide] Project aims to educate representatives of Czech SMEs, guide them and present the capital market to them as a standard source of SME financing on a par with bank loans and own capital. The Project will present both the advantages and disadvantages of using the capital market to raise finance, circumstances under which the capital market is worth considering, the most frequently used approaches as well as real-life examples – success stories of businesses that have benefited from going to the capital market.

The Project will not claim that financing through the capital market, whether through debt instruments or by selling a stake in a company, is the best way to raise finance to start or develop an enterprise whatever the circumstances. The aim is to teach Czech businesses to consider and explore three possible sources of funding, instead of just two. The actual advice on which source to choose or whether to opt for a combination of several sources in a specific situation will come from specialists.

#### General key messages

- Funding by bank loans or own capital are not the only available sources of finance for a business undertaking
- The capital market too can help start, develop and finance an enterprise
- The capital market does not compete with bank loans or own capital when it comes to funding, it supplements the two suitably: When is it best to use own capital, when is it best to utilise a bank loan and when is the time to look to the capital market?
- Seek advice from an expert to see which solution is best in a given situation

**Key messaging for target audience of SME representatives (owners, GMs, CFOs)**

- Funding by bank loans or own capital are not the only available sources of finance for a business undertaking
- In some cases, capital market financing is an adequate alternative
- The capital market primarily offers two types of instruments: debt funding and the sale of a stake in the company
- Seek advice from an expert to see which solution is best in your situation

**Key messages for intermediaries**

- We come with a Project that will demonstrate to Czech SMEs how the capital market can help them start, develop or finance their business undertaking
- Become involved in the Kapitálový průvodce [Capital Guide] platform. We will help you get in touch with representatives of Czech SMEs and link you with entrepreneurs interested in advice regarding capital market financing

**5.4.2 Core attributes of Kapitálový průvodce [Capital Guide]**

For the purposes of developing a content strategy, it is essential to first define key attributes, to be promoted by the Kapitálový průvodce [Capital Guide] brand. Specific communication topics will then reflect one or more of these attributes. To achieve the objectives defined in Deliverable 2 and Deliverable 3, the Communication Strategy proposes the following attributes for the Kapitálový průvodce [Capital Guide] brand:

**Table 28: Core attributes of Kapitálový průvodce [Capital Guide]**

<b>Attribute</b>	<b>Description</b>
<b>Simplicity</b>	This attribute shows, there is no need to fear financing the company utilizing capital markets, and that it is not so complex, as Czech companies usually think.
<b>Trustworthiness</b>	Capital market is a stable and standard part of the financial world used by entrepreneurs in the Czech Republic and worldwide daily and with trust. Parts of the market are supervised by the authorities.  There are many impartial entities operating on the Czech market that can help companies choose and utilize the most appropriate way of financing solutions. The Project links SMEs with intermediaries. This value also demonstrates the professionalism and trustworthiness of the information and advice provided.

<b>Openness</b>	Capital market is a full-fledged alternative to more well-known corporate financing tools like bank financing or equity. It often offers more flexible solutions than usually more rigid banking financing market. There is no reason for Czech companies to avoid it because of their lack of knowledge about capital markets.
<b>Inspiration</b>	We introduce successful Czech stories of capital market financing to inspire Czech SMEs into utilizing tools the capital market can offer them.

### 5.4.3 Communication topics

All the communication in Capital Markets Literacy in the Czech Republic campaign is proposed to be divided into three umbrella topic sections:

#### a) Capital market

This section will cover all topics, that relate to general educational information about capital market, its tools, statistics and Kapitálový průvodce [Capital Guide] campaign

#### b) Tips & tricks

This section will cover all the topics providing actual advice to target audiences, such as “How to...” information

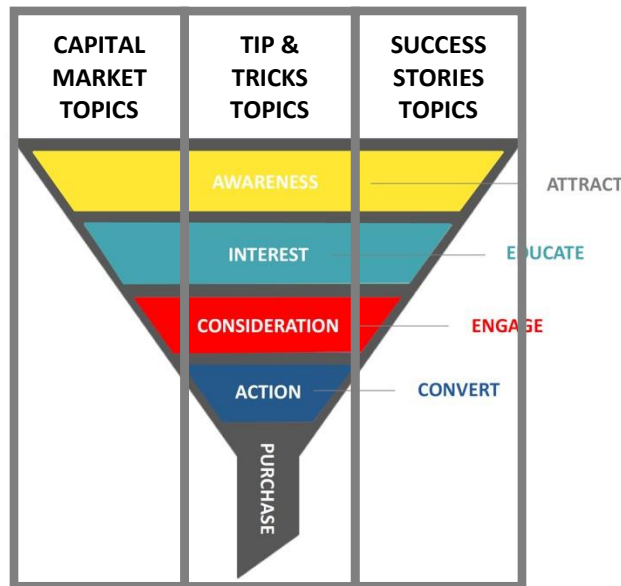
#### c) Success stories

This section will cover three key success stories of companies, that have successfully utilized capital markets tools in the business. One stories should be chosen for each of the three key instruments. Stories will be chosen before the launch of the campaign, so that the most actual case-studies could be presented.

Each communication topic used in the campaign must be in line with at least one of the core attributes of the Kapitálový průvodce [Capital Guide] brand. However, topics can also represent a combination of attributes. For example, success story company case-study represents not only the Inspiration attribute, but also Simplicity, Professionalism and Flexibility.

Topic sections will be used throughout the entire Project. The sections this will appear in all phases of the marketing funnel that have been identified in the Project: (a) Awareness Phase, (b) Education Phase (c) Engagement Phase, (d) Conversion Phase.

Figure 27: Topics in the communication phases



**Topics for awareness phase**

At the beginning of the campaign, we recommend using the themes that will focus on the Capital Market and the Tips & Tricks. Success Stories should be launched at the next phase of the communication.

Table 29: Topics for awareness phase proposal

Capital market topics	Tips & tricks topics	Success stories topics
Main Long-term Topic: <i>“Eight out of ten Czech companies have no experience with capital market financing.”</i> Campaign Launch Topics: <ul style="list-style-type: none"> <li>• <i>“Ministry of Finance wants to increase the capital markets literacy of Czech SMEs.”</i></li> <li>• <i>“Ministry of Finance with the support of CzechInvest launches the Capital Guide for SMEs.”</i></li> </ul>	Long-term Topics: <ul style="list-style-type: none"> <li>• <i>“Considering the most suitable financing tool for your company? Let Capital Guide help you choose.”</i></li> <li>• <i>“Loan or Bonds? Ask your Capital Guide in your region.”</i></li> </ul>	<i>No topics at this phase</i>

**Topics for education phase**

In the second phase, the campaign should concentrate on the educational part of the campaign via general education about the capital market, its instruments as well as showing the target audience the successful stories of other entrepreneurs. All three topics sections (Capital Market, Tips & Tricks, Success Stories) with topics below match the education goal of this part of the campaign.

**Table 30: Topics for education phase proposal**

Capital market topics	Tips & tricks topics	Success stories topics
<p>Capital Market Education:</p> <ul style="list-style-type: none"> <li>• <b><i>“Check TOP10 advantages and disadvantages of SME financing via the capital market.”</i></b></li> <li>• <b><i>“What are the advantages and disadvantages of individual key instruments of the capital market.”</i></b></li> <li>• <b><i>“Comparison of the capital market instruments with the banking financing.”</i></b></li> </ul> <p>Statistical data from the capital market overall volumes of financing solutions provided, by instruments; half-yearly frequency):</p> <ul style="list-style-type: none"> <li>• <b><i>“SMEs’ interest in the capital market grows.”</i></b></li> </ul> <p>Implementation of supervision and regulatory measures on the capital market:</p> <ul style="list-style-type: none"> <li>• <b><i>“Capital market is a secure way of financing.”</i></b></li> </ul>	<p>Tips &amp; Tricks for Financing a Business:</p> <ul style="list-style-type: none"> <li>• <b><i>“How to choose the most suitable form of financing and obtaining quality, independent advice.”</i></b></li> </ul> <p>Key Instruments:</p> <ul style="list-style-type: none"> <li>• <b><i>“Grow your business thanks to capital market.”</i></b></li> <li>• <b><i>“Too small for an IPO? Try START.”</i></b></li> <li>• <b><i>“Engage your customers and let them help you finance your new product.”</i></b></li> </ul> <p>A database of intermediaries and their success stories on the microsite:</p> <ul style="list-style-type: none"> <li>• <b><i>“Ministry of Finance launches its database of certified capital market advisors.”</i></b></li> </ul>	<p>Draw inspiration from market leaders and pioneers of capital market financing:</p> <ul style="list-style-type: none"> <li>• <b><i>“Incredible story of corporate bonds issuer.”</i></b></li> <li>• <b><i>“Star from the START Market.”</i></b></li> <li>• <b><i>“Interview with the crowdfunded firm.”</i></b></li> </ul>

### Topics for engagement phase

The activation phase of the campaign will concentrate on activation of the interest about capital market and attracting entrepreneurs to face-to-face workshops. All three topics sections (Capital Market, Tips & Tricks, Success Stories) will be used in this part of the campaign.

**Table 31: Topics for engagement phase proposal**

Capital market topics	Tips & tricks topics	Success stories topics
<p>Establishment of touch points for entrepreneurs at local branch offices of CzechInvest:</p> <ul style="list-style-type: none"> <li>• <b><i>“Capital Guide opens its new information point in the City of Brno.”</i></b></li> <li>• <b><i>“Capital Guide opens its new information point in the City of Ostrava.”</i></b></li> </ul> <p>Invitations to regional workshops for entrepreneurs</p> <ul style="list-style-type: none"> <li>• <b><i>“Ministry of Finance invites SMEs to meet its Capital Guide.”</i></b></li> </ul>	<p>Get an advice on choosing the most suitable form of financing for your business from independent experts – where to find them and how can they help:</p> <ul style="list-style-type: none"> <li>• <b><i>“Five tips to choose the right capital market advisor.”</i></b></li> </ul> <p>A database of intermediaries and their success-stories on the microsite:</p> <ul style="list-style-type: none"> <li>• <b><i>“Database of capital market intermediaries reached 50 advisors.”</i></b></li> </ul>	<p>Inspirational speeches from business pioneers’ representatives:</p> <ul style="list-style-type: none"> <li>• <b><i>“Meet the successful corporate bonds issuer in your city.”</i></b></li> <li>• <b><i>“Meet the START Market company in your city.”</i></b></li> <li>• <b><i>“Meet the Crowdfunding Love-Brand in your city.”</i></b></li> </ul>

### Topics for conversion phase

Conversion phase of the campaign will generate actual inquiries and meetings of entrepreneurs with intermediaries. Therefore, only Tips & Tricks topic section is recommended at this phase with focus to providing the best advice on how to choose and approach independent intermediaries to successfully start the financing process.

**Table 32: Topics for conversion phase proposal**

Capital market topics	Tips & tricks topics	Success stories topics
<i>No topics at this phase</i>	<p>A database of intermediaries and their success stories on the microsite</p> <p>Get advice on choosing the most suitable form of financing for your business from independent experts – where to find them, how they can help, etc.</p>	<i>No topics at this phase</i>

#### 5.4.4 Tone of the communication

The communication campaign will have a limited and professional target audience and will aim to educate and activate entrepreneurs and capital market professionals. The overall tone of the communication will be adjusted to the target audiences and will mostly remain professional and factual, focusing on key facts, case studies and providing professional advice. In the first stage of the campaign aimed at building awareness about capital market financing, the emotional component will be part of the communication tone.

**Table 33: Tone of the communication**

Communication tools	Communication tone
<b>Media relations</b>	A professional, conservative style will be used, relying on the presentation of real data, negotiation results, surveys, etc. Outputs will have the form of expert texts worded in a conservative style. The texts will be rather short in extent (one to two standard pages) and will be focused on the essence of the issue at hand. Persons associated with the Project will be profiled as experts with deep knowledge of the given topic.
<b>Video</b>	Videos will use realistic, educational style and will contain real shots from the company included into case-studies. Videos will also contain talking heads from those companies as well as representatives of Kapitalový průvodce [Capital Guide] Project who will act as advisors and educators. Strong shading or gloomy colour schemes will be avoided in vide.



<p><b>Visual materials and photographs</b></p>	<p>Decent, professional and trustworthy visual style is to be used in all communication visuals. Realistic visuals and photographs will be used, free of pronounced photo filters or additional colouring. Only natural-looking photos will be used. Strong shading or gloomy colour schemes will be avoided. Representatives of the target groups will be selected for photos featuring persons.</p>
<p><b>Social networks</b></p>	<p>Professional and factual tone to be used in social media communication. For social networks communication, it will be possible to use pictograms using a colour scheme compliant with the campaign's uniform style.</p>

## 6 Reach-out event

Reach-out event was held on the 17<sup>th</sup> of September. It had a format of “roundtable” discussion among representatives of national authorities and capital market participants. The event hosted around 35 participants, most of them actively took part in the discussions during the event and expressed their opinion about the Project as well as about the whole idea of supporting capital market in the Czech Republic. Please, find more specific information in the table below:

**Table 34: Reach-out event**

<b>Date and time</b>	17 <sup>th</sup> September, 1:30 pm – 4:00 pm CET
<b>Place</b>	EY premises, Florentinum, Prague 1
<b>General topic</b>	Increasing SMEs’ interest in the capital market and possibilities of financing offered by the capital market as well as perceived current hurdles of access
<b>Format</b>	Discussion meeting to present a Communication Strategy supporting the education of SMEs on the capital market in the form of a "round table"
<b>Participants</b>	<ul style="list-style-type: none"> <li>• National authorities (MoF, CNB, MIT)</li> <li>• SMEs associations (AKAT, AMSP ČR, HR ČR)</li> <li>• Investors on the local capital market (Conseq, Wood&amp;Company, etc.)</li> <li>• Intermediaries of the capital market (Česká spořitelna, Unicredit, J&amp;T, Prague Stock Exchange, START, Fundlift, etc.)</li> <li>• Academic (University of finance and administration)</li> <li>• Contractor’s and Subcontractor’s representatives</li> </ul> <p>Latest version of participant list is attached in Annex 8.</p>
<b>Programme</b>	<ul style="list-style-type: none"> <li>• Introduction by MoF and European Commission representatives</li> <li>• Presentation of: <ul style="list-style-type: none"> <li>▪ Survey on the use of capital market instruments among Czech SMEs</li> <li>▪ Communication Strategy to support education of SMEs in the Czech Republic regarding the capital market</li> <li>▪ Implementation of the Strategy and Action Plan for 2020-2021</li> </ul> </li> <li>• “Tour-de-table”: Questions, opinion expressions and contributions of each of the speakers at the round table and few of the speakers’ associates</li> <li>• Discussion – inputs and comments of individual participants</li> <li>• Coffee break, informal networking</li> </ul>

Two PowerPoint presentations were prepared for this event. Both of them summarize the work done by providers of this Report and the presentations provide information and insights needed for the purpose

of introduction of the topic for participants' discussion. The former presentation was sent to the participants of the event prior to the actual event's date for the purpose of getting familiarized with the topic and content of the project, thus enabling participants to prepare questions and points for the discussion. The latter presentation was prepared as a visual support for the presenters of the Project from the Contractor's and Subcontractor's side. Slides of both presentations can be seen in Annex 6 and 7.

During the "Tour-de-table" part of the event participants mostly welcomed this Project and expressed themselves in a positive manner about the whole initiative and support of capital market. Representatives of multiple participating entities preliminarily promised cooperation during the next steps following this Project.

Following points have been stated by the participants during the discussion as the key issues hindering the Czech capital market:

- Poor knowledge of the SMEs regarding capital market;
- Strict regulation (low limits for private issuances, reputational and regulatory risk for intermediaries, non-regulated issuers having advantage compared to those who are subject to regulation, etc.);
- Conservativeness of potential investors;
- Insufficient reporting obligation of the issuers;
- Necessity to coordinate both the issuers/emitents (SMEs) and the investors (retail, HNW and institutional)
- Lack of communication towards SMEs and insufficient education in the academic area.

Participants also mentioned several tips to be considered either during realization of the next steps after this project or generally in relation to fostering of the capital market:

- Further distinguishing individual SMEs according to their size and instrument(s) suitable for them;
- Coming up with a certified methodology, based on which academic institutions will be able to teach specifics of the capital market;
- Designing and using suitable financial instruments reflecting higher risk involved with investment in SMEs
- Involving universities and association of SMEs into the Project;
- Incorporating education of investors into the Project and mentioning Private Equity area;
- Introducing tax incentives for investors;
- Connecting microsite introduced in this document to already existing projects, such as "Jednotné kontaktní místo";
- Prepare case studies of successful issuers.

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### Annex 3: SME Questionnaire

QUESTIONS		ANSWERS	
1.	What is the name of your company?		Fill in, please.
2.	What is the registration number ("IČO") of your company?		Fill in, please.
3.	How many employees does your company have?	a)	1 - 9 employees
		b)	10 - 49 employees
		c)	50 - 249 employees
		d)	250 and more employees
4.	What was the balance sheet total of your company at the end of 2017 in CZK?	a)	CZK ≤ 50 millions
		b)	CZK 51 - 250 millions
		c)	CZK 251 - 1100 millions
		d)	Balance sheet total was higher than CZK 1 100 millions
5.	What was the amount of total sales of your company at the end of 2017 in CZK?	a)	CZK ≤ 50 millions
		b)	CZK 51 - 250 millions
		c)	CZK 251 - 1300 millions
		d)	Total sales higher than CZK 1 300 millions
6	Which capital market instruments that can be issued by companies to finance their activities do you know? Describe, please.		Describe, please.

<b>7</b>	<p>Are you familiar with above-stated options of financing through capital market instruments?</p> <p>* Answers were chosen for three different instruments:</p> <p>a) Debt instruments – bonds</p> <p>b) Capital instruments - equity participation on company, e. g. by ownership of the shares</p> <p>c) Quasi-capital instruments, e.g. convertible investment certificates</p>	a)	Have knowledge and have already used it
		b)	Have some knowledge and know how it works
		c)	Know this instrument, but have only general information
		d)	Do not have any knowledge
<b>8</b>	<p>Have your company used the option of financing through capital market instruments in the last years?</p>	a)	Yes
		b)	No
<b>9</b>	<p>What was the reason for not using the financing through capital market instruments?</p>	a)	We did not know about this instruments
		b)	We do not understand these instruments
		c)	We do not know, how to obtain this financing
		d)	High costs of this type of financing
		e)	We do not want to reveal our information publicly
		f)	Do not trust this form of financing
		g)	Others (Please, describe.)
<b>10</b>	<p>Which instruments does your company usually use for financing? (In case you have selected the option "others", describe please briefly, which type of financing it was.</p>	a)	Financing provided by the family or friends
		b)	Bank financing
		c)	Finance from non-banking institutions
		d)	Others

<b>12</b>	In case your company have used the bank financing/nonbank financing/other, what do you consider the advantage as opposed to financing through capital market instruments?		Describe, please
<b>13</b>	Which type of financing did you use? (in case you have selected the option "others", please describe)	a)	Bond issuance
		b)	Financing by quasi-capital instruments (e. g. Issuance of convertible investment certificates)
		c)	Stock issuance (e. g. START)
		d)	Sales of company's share to specific investors (e. g. Business angels/venture capital funds/private equity funds)
		e)	Others (Please, describe.)
<b>14</b>	Where did you find out about this option of financing? (please, describe briefly)		Describe, please.
<b>15</b>	Which information would you appreciate before/during the financing by capital market instruments? (Please briefly describe)		Describe, please.
<b>16</b>	In case your company would be planning to finance its business from external sources in the next 5 years (that means by other ways than from company earnings), would you consider financing by capital market instruments as an option?	a)	Yes
		b)	No
<b>17</b>	What constraints this form of financing do you perceive?		Describe, please.

<b>18</b>	Which type of financing through capital market instruments would you prefer?	a)	Bond issuance
		b)	Financing by quasi-capital instruments (e. g. Issuance of convertible investment certificates)
		c)	Stock issuance (e. g. START)
		d)	Sales of company share to specific investors (e. g. Business angels/venture capital funds/private equity funds)
		e)	Others (please, describe)
<b>19</b>	What would encourage you to use this type of financing? (in case you have selected the option "others", please describe which type of financing did you use)	a)	Bank would not borrow money to the company
		b)	Diversification of my sources of financing
		c)	Higher flexibility in comparison with bank financing
		d)	Good marketing
		e)	Economic benefits
		f)	Others (describe, please)
<b>20</b>	In case your company would be interested in financing through capital market instruments, where would you look for information (whose advice would you seek)?	a)	Within the company (colleagues with experience in the field of finance)
		b)	With business partners (clients, suppliers)
		c)	In books or media (articles on specialized internet websites, magazines focused on business development and finance)
		d)	At friends or acquaintances
		e)	At the service provider (at online platform, which offers this services, at the stock exchange)
		f)	At bank/economic/legal advisor

		g)	Other (Please, describe.)
<b>21</b>	Do you perceive any obstacles at this type of financing, or is there something, what impedes you use these instruments?		Describe, please.
<b>22</b>	What would encourage you to use capital market instruments for financing of your company in the future instead of e. g. more common instruments like bank financing?	a)	More beneficial terms of financing (less constraints in form of covenants)
		b)	Lower administrative burden (lower reporting burden)
		c)	Greater flexibility and ability to adjust to my business
		d)	Personal approach of investors (e. g. strategic investors, e.g. business angels, provide to companies not only the financing but also valuable connections and experience)
		e)	Others (Describe, please.)

## Annex 4: Set of questions for intermediaries & investors

QUESTIONS FOR MARKET INTERMEDIARIES	QUESTIONS FOR INVESTORS
a) How do you assess the current situation from the perspective of supply and demand for capital market instruments used to finance businesses?	a) Do you invest in instruments issued by SMEs?
b) Do you perceive the interest in issuances of capital market instruments on the side of businesses?	b) In which instruments do you invest?
c) How do you perceive the awareness of enterprises of the possibility to finance themselves through capital market instruments?	c) Which problems do you come up to when investing in this instruments?
d) What do you think the businesses consider the benefits of financing through your platform as opposed to bank financing?	d) Which deficiencies on the side of SMEs do you perceive during their issuances? (What conditions they have to fulfil, so that you could invest in them. E.g. they don't keep their accounting in compliance with IFRS, there can also be regulatory constraints or the costs are too high compared to the volume of the issuance.)
e) What do you think the businesses consider the disadvantages of financing through your platform as opposed to bank financing?	e) What changes would potentially make your company invest into SMEs (so it would be acceptable investment for you)?
f) How the businesses can learn about the possibility of financing on your platform (How do you acquire new clients?)	
g) Which obstacles or lacks impeding the financing of the companies through capital market instruments do you perceive?	
h) What do you think could make the communication between your service (intermediation of financing by your platform) and Businesses easier?	

FINAL REPORT

i) Do you perceive the need for stronger involvement of the state in area of support of the capital market development on this level? If so, how specifically could the state help?	
j) What else do you think could improve the situation towards the development of the capital market for businesses?	

## Annex 5: Sample outputs for the content of the Communication Strategy

### Sample content plan for the initial year of Project communication

This is a model content plan is based on the time framework proposal from the Deliverable 2: A Strategy to reach the target groups with an Action Plan, which assumes the start of awareness phase of the campaign via media relations and advertising in second half of 2020. Therefore, this yearly model plan shows proposed distribution of the topics in first four quarters following the start of this phase, from Q3 2020 to Q2 2021. The plan can be adapted to the real start of the campaign, should it be different.

*Table 35: Model content plan for Q3 2020–Q2 2021*

	Q3 2020	Q4 2020	Q1 2021	Q2 2021
<b>Capital Market</b>	Eight out of ten Czech companies...  Campaign launch, objectives and scope	Considering the most suitable financing tool for your company? Let the Capital Guide help you choose  Touch Points Creation announcement	Statistics: Capital Market in 2020: Interest in capital market is growing	Banking financing or the capital market?
<b>Tips&amp;Tricks</b>	Capital Guide Microsite launch announcement	Grow your business thanks to capital market	Let's meet and discuss the capital market - regional workshops invitations	Too small for an IPO? Try START!
<b>Success Stories</b>		Case-study 1: Corporate bonds		Case-study 2: START Market

### Sample press release

Below an example is provided on how to communicate with media via one of the key PR communication tools – the press release. Topic of the press release reflects first phase of the campaign – its launch and is



based on one of the most relevant findings of the preliminary survey (Czech SMEs do not have experience with capital market financing), which ideally sets the framework for later communication of the campaign. The press release not only provides journalist with interesting and relevant information, but also provides an overview of the Kapitálový průvodce Project.

***Box 5: Sample of press release***

***Kapitálový průvodce [Capital Guide] guides businesses in the world of capital financing***

- **Czech businesses lack information on possibilities offered by the capital market**
- **The Ministry of Finance has developed a guide to help businesses become acquainted with the capital market**
- **Entrepreneurs can discuss their needs with independent experts**

**Eight out of ten Czech businesses possess no experience with financing through instruments of the capital market. Yet the capital market offers entrepreneurs a relatively simple way of accessing financial resources to fund their investments, innovations and development, which in turn support their efficiency and competitiveness. Kapitálový průvodce [Capital Guide] unveiled by the Ministry of Finance aims to increase awareness among entrepreneurs of the possibilities offered by the capital market.**

There are almost one million SMEs in the Czech Republic, with many other people also intending to start their own businesses. To begin the further development their business undertaking, most need additional finance. Unless they can rely on their own funds, they usually enquire in banks to find a suitable financing product. Only a few are aware of a third way to obtain the required funding, the capital market. “Only one in five companies generally use this option. The other four are completely unaware of its existence, lack the necessary information or consider it much too complicated,” says [EXPERT], head of Kapitálový průvodce [Capital Guide] Project, which has recently conducted a survey on the issue.

The Ministry of Finance, in collaboration with the European Commission and other parties, has decided to amend the situation. It has unveiled a Project entitled Kapitálový průvodce [Capital Guide] that will provide guidance to Czech SMEs in the world of capital financing.

“The capital market is a standard market where small and medium sized businesses can obtain funding. The Project will present both the benefits and downsides of financing through the capital market and situations in which it is worth considering the option. The Project will also bring forward specific examples of businesses that have benefited from going to the capital market,” explains [FINANCE MINISTER]. The Minister also added that a developed capital market benefits not only businesses, but also the state through increased levels of investment and employment and growing GDP.

In March 2019, the Ministry of Finance unveiled its National Strategy for the Development of the Capital Market in Czech Republic 2019–2023. The Kapitálový průvodce [Capital Guide] Project is one of the first tangible outcomes of the document's implementation.

### **Information offensive**

The Project will launch in autumn 2020. It will include an educational campaign on a dedicated website, kapitalovypruvodce.cz, a database of market intermediaries and several regional workshops for entrepreneurs. Local offices of CzechInvest will also provide touch points for the Project. "As a result, there will be a number of channels available to entrepreneurs that will provide relevant information and offer opportunities for discussions with independent specialists," adds [FINANCE MINISTER].

### **Advisory advertorial**

One of the key tools in education part of the campaign will be print and online advertorials. Below is an example of such paid educatory text that is aimed to both raise interest of the target audience as well as to educate and direct the entrepreneur towards the Kapitálový průvodce [Capital Guide] microsite. Educatory texts on capital market tools directly at the microsite can also draw inspiration from the text below.

#### ***Box 6: Sample of advertorial***

### ***Banks are not the only source of finance. Business can grow thanks to bonds***

**There are about one million small and medium sized enterprises operating on the Czech market. When they consider expanding, they visit their bank and try to secure a loan. Failing that they often put off their expansion plans. But that is not necessarily the only possible outcome since there is an instrument, known as corporate bonds, that can provide a solution. The problem is that entrepreneurs are often unaware of its existence.**

"My business got off to a very good start. I decided to make healthy nutrition products and people are quite interested in those nowadays. However, our production capacity was soon at its limit, so we decided to build a new bakery," says [NAME SURNAME]. He thought that going to his bank and presenting his company's healthy operating figures would make obtaining the necessary loan a breeze. But it didn't. His company had previously taken a loan to get off the ground and despite timely repayments, the bank refused to provide another one. The company was also unable to provide a property as security since it operated from leased premises.

"If an enterprise can demonstrate some track record, solid results and a vision of further development, it can issue corporate bonds. Such bonds can be offered either to institutional or private investors with interest offered as regular payments or a discount paid in a one-off fashion upon the bonds' maturity. By selling bonds, the company does not forfeit any of its equity to the investors, it remains in the hands

of the company owner or owners,” says [MINISTRY REPRESENTATIVES] from the Ministry of Finance and one of the contributors to the Kapitálový průvodce [Capital Guide] Project, touching upon the benefits of one of the capital market’s instruments.

Advantages of corporate bonds include a fixed interest rate and repayment of the owed amount only upon maturity, instead of through a series of instalments, which benefits the issuer’s cash flow. Another advantage is that bonds can be issued as unsecured. On the other hand, entrepreneurs must consider the fact that issuing corporate bonds is associated with certain administrative burdens and costs. Relevant legislation also imposes a reporting duty and a duty to publish specific information.

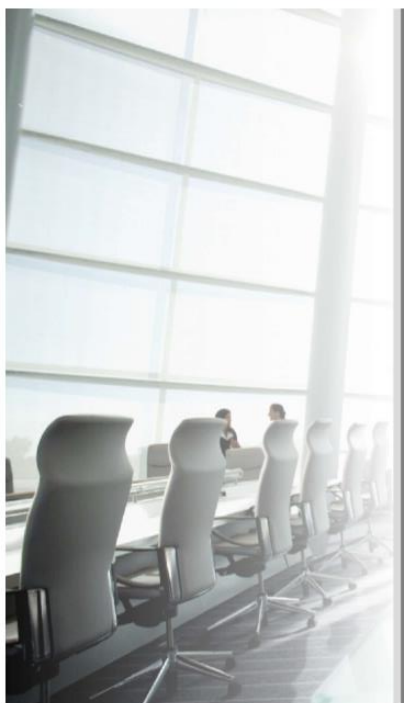
#### **Where to begin and where to seek advice**

As mentioned above, an issue of corporate bonds comes with considerable administrative demands. It is thus a good idea for the prospective issuer to contact a specialist seeking advice on the suitability of the financing instrument for their needs. Such a specialist can also lend a helping hand throughout the whole process.

A wealth of useful information is also available via a dedicated portal at [www.kapitalovypruvodce](http://www.kapitalovypruvodce). The portal has been established by the Ministry of Finance in collaboration with the European Commission and other parties, to assist small and medium sized enterprises. The website includes, for example, a database of capital market specialists with contact information, a list of available workshops, and success stories of businesses that have benefited from issuing corporate bonds.

“[NAME SURNAME] has every chance of succeeding on the capital market, placing his bonds and building the bakery, which will let him expand his business,” remarks [MINISTRY REPRESENTATIVES] assessing the situation outlined at the beginning of this text.

## Annex 6: PowerPoint presentation sent out prior to the reach-out event



This material serves for the purposes of introduction to the project "Capital Markets Literacy in the Czech Republic" conducted by the companies Ernst & Young and FleishmanHillard.

It is supposed to be used to get familiarized with the topics and results of this project prior to the Reach-out event held on the 17th of September in the premises of Ernst & Young.

Please find the content of this material below:

### Content

▪ Project's introduction and background	2
▪ Information and communication gaps of the Czech capital markets	6
▪ International Best Practices	9
▪ Communication Strategy and Action Plan	10
▪ Key topics and corresponding messages for a future communication campaign	15



## Project's introduction and background

### Introduction to the project "Capital Markets Literacy in the Czech Republic"



Czech Republic suffers from a low level of capital markets literacy on the side of potential issuers on the capital market as the Czech companies have been relying primarily on bank financing or own sources and local capital market remains underdeveloped compared to European average.



Current information and communication barriers can lead to inefficiency on financial markets, limited access of issuers to capital markets, limitation in the competition between capital providers. Existing barriers can potentially lead to limitation in growth of issuers and to reducing the potential of the entire economy to respond flexibly to the current availability of resources and.



For the above mentioned reasons, Czech authorities intend to increase capital markets literacy and raise potential issuers' awareness of financing through alternative funding instruments in order to foster development of capital market in the Czech Republic.



- ▶ Therefore, Ministry of Finance of the Czech Republic ("MoF") has requested support from the European Commission (EC) through Structural Reform Support Service ("SRSS") in **increasing capital markets literacy of SMEs and stimulating SMEs to use non-bank financing.**
- ▶ Contractors were assigned by SRSS to conduct the project with the general objective to **contribute to increasing the level of capital markets literacy of capital market participants ("Project").**
- ▶ **Below individual tasks of the Project are presented:**

#### Individual tasks of the Project

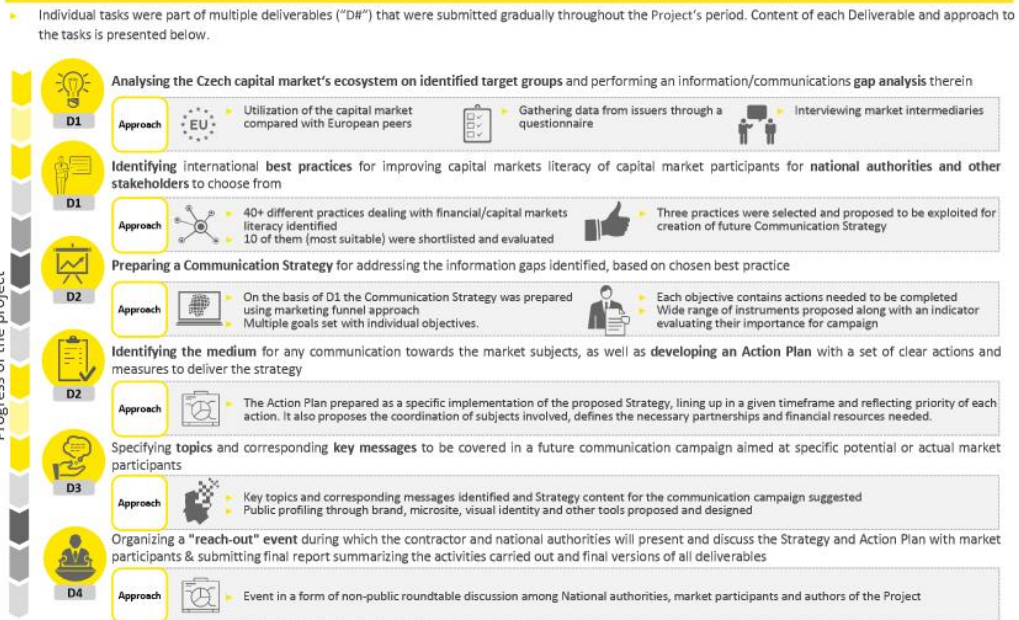
- 1 Analyze the Czech capital market's ecosystem and perform an information/communications gap analysis
- 2 Identify international best practices for improving capital markets literacy of capital market participants
- 3 Prepare a Communication Strategy for addressing the gaps identified
- 4 Identify the medium for any communication towards the market subjects and develop an Action Plan
- 5 Specifying topics and corresponding key messages to be covered in a future communication campaign
- 6 Organize a "reach-out" event

#### Purpose of the Reach-out event

- ▶ Contractors and national authorities will present the results of the Project to the capital market stakeholders.
- ▶ Prepared Communication Strategy and Action Plan their implementation in 2020 & 2021 will be discussed and commented by market participants.
- ▶ Ideally, common approach and new ways of cooperation between individual capital market stakeholders will be proposed.



## Detailed approach



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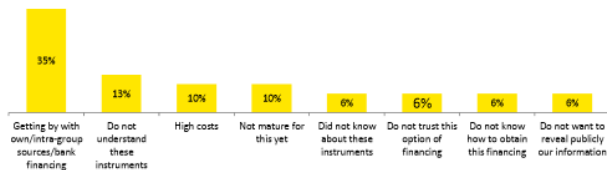
## Views of the issuers (SMEs)

► The survey was conducted on SMEs focused on the assessment of companies' knowledge of capital market opportunities for funding, reasoning for preference of non-capital market instruments and obstacles hindering local businesses to use these instruments.

► Below some of the statistics comprised in the Final report are presented:

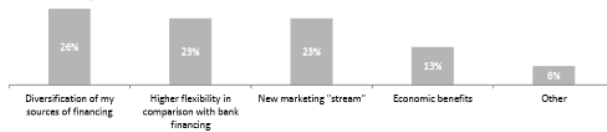
Most common reasons or limitations hindering firms to use subject instruments as a source of financing

Source: ET survey



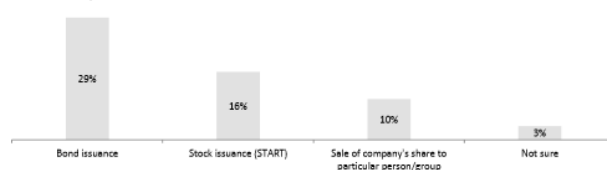
Potential benefits making respondents use capital market instruments as a source of financing

Source: ET survey



Considered/appealing types of financing through capital market eventually considered by respondents

Source: ET survey



### Results of the survey

- Results indicate that Czech SMEs have rather low knowledge about the basic capital market instruments.
- Majority of respondents have not used capital market instruments as a source of financing and rely strictly on own sources or bank financing.
- Limited knowledge regarding these instruments and lack of proper guidance is prevalent between the respondents.
- Respondents see simplicity, low costs and low disclosure obligation as main advantages of bank financing compared to capital market instruments.
- On the other hand, higher flexibility in comparison with bank financing, diversification of sources of funding and usage as a new marketing stream are perceived as main benefits of the capital market instruments.
- SMEs prefer using web platform for obtaining the basic information and personal contact and professional advice when looking for specific information about important issues of financing.

## View of the key stakeholders and interviewed market participants

Below are summarized views from reports and/or interviews regarding the Capital markets' development in Czechia:

<p>Ministerstvo financí České republiky</p>	<p>European Commission</p>	<p>Examples of solutions according to World bank</p> <p>WORLD BANK GROUP</p>
<p><b>Key reasons</b></p> <ul style="list-style-type: none"> <li>► Low awareness of the capital market possibilities</li> <li>► Enough of own sources / EU's subsidies (economic upturn)</li> <li>► Excess of bank liquidity (low interest rates)</li> </ul>	<ul style="list-style-type: none"> <li>► Lack of financial knowledge, business finance advise and skills of SMEs to present their funding case to investors</li> <li>► Lack of standardised and verifiable SMEs' financial information for capital providers and more</li> </ul>	<ul style="list-style-type: none"> <li>► Mitigation / increasing limit for issuances above EUR 1m for the abbreviated prospectus</li> <li>► Educating issuers about the benefits of raising capital and listing by creating a program of workshops and training materials, in order to increase their knowledge of the process;</li> <li>► Supporting a selected number of target issuers during offerings.</li> </ul>
<p><b>Solution</b></p> <ul style="list-style-type: none"> <li>► Making alternative sources of finance through capital markets more attractive for the companies</li> <li>► Systematically raising awareness of possibilities and benefits of diversifying of sources of finance</li> </ul>	<ul style="list-style-type: none"> <li>► Especially broadening awareness about financing sources for diverse business needs and developing of financial skills of the entrepreneurs</li> <li>► Building trust and confidence to alternative finance sector among start-ups and SMEs</li> </ul>	

**Market intermediaries**

- Professionals in the financial market taking part in placing issued instruments onto the market were approached (for example START, Fundlift, Dluhopisy.cz, Conseq, ČSOB).
- Conservative approach and weak awareness of SMEs regarding the possibilities of financing through the instruments of the capital market are among the key reasons of lower activity on capital markets.
- Most of the SMEs seeking for alternative ways of financing are solving specific problems which are not bankable for commercial banks.
- The independence from banks and no pledge requirements are perceived being main benefits for the SMEs.

**Investors**

- Analysts & Portfolio-managers of large Czech asset managers were interviewed (for example Allianz pojišťovna, Generali Investments CEE, ČSOB, Conseq).
- The SMEs' issuances are considered too risky for the overseas investors, while the transaction costs are relatively high compared to the value of investment.
- Domestic investors are less reluctant to invest into SMEs' issuances but weak quality of data being disclosed by the SMEs and low level of transparency are being significant obstacles in the investment process.

**National authorities**

- Czech authorities either regulating or fostering local capital market and significant association of entities connected to this market were approached.
- The current regulatory set up from the perspective of national authorities is perceived as sufficient. Their goal is to support the issuance of financial instruments by the SME entities and consequently the development of capital markets.
- Factors having negative impact on the SMEs' motivation to enter the capital market are not primarily the information gaps, but a low demand on the market and high transaction cost of the small-size issuances.



## International Best Practices

- Based on the identified information and communication gaps, 40+ International Best Practices from countries with similar capital market environment and cultures have been identified, 10 were short-listed. Out of those 3 were selected as per below:

### Financial literacy for Business in Croatia

**Objective:**

- Improvement of SMEs access to financing and definition of parameters for future cooperation between business entities and financial institutions.

**Activity:**

- Putting in contact Croatian financial institutions and business entities
- Organizing a series of events (consultations, workshops, seminars, roundtables, conferences) in various cities through a network of 20 county chambers

### Finance Desk of Chamber of Commerce in Netherlands

**Objective:**

- Provision of a general overview of financing possibilities for SMEs / SMBs and helping business owners run their businesses successfully.

**Activity:**

- Maintaining a web portal containing an overview of financing alternatives for SME/SMBs with general information
- Providing with tailored advice via telephone, mail or chat boxes provided by the financing desk and more

### BIC Bratislava in Slovakia

**Objective:**

- Supporting SMEs in accessing debt & equity finance and giving advice on corporate strategies or EU and national support schemes for SMEs

**Activity:**

- Providing the SMEs with support in preparation of business, marketing and financial plans
- Creation of environment for international cooperation
- Organizing of events (investment forums)
- Supporting SMEs in participation in the EU framework programmes for research and innovation.



### MoF's selection of best practices / strategy tools

Based on the identified communication gaps and communication expert recommendations, the above mentioned Practices were deemed by MoF to be exploited for creation of future Communication Strategy.

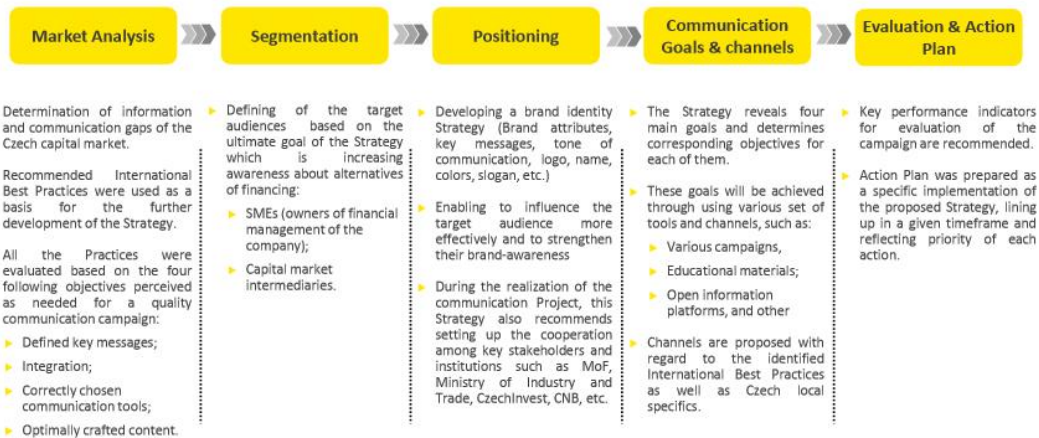
Additional reason for choosing these practices was a similar capital market environment to the Czech one. A lack of education of SMEs in the areas of alternative financing instruments and especially capital market funding instruments is perceived in those countries as well.





## Communication Strategy and its formation

- ▶ The Strategy proposes to fully utilize the synergies available from cooperation of various bodies of public authorities and also from cooperation with private sector, especially intermediaries. It also recommends a large variety of communication channels and suitable media to be used in Communication Campaign.

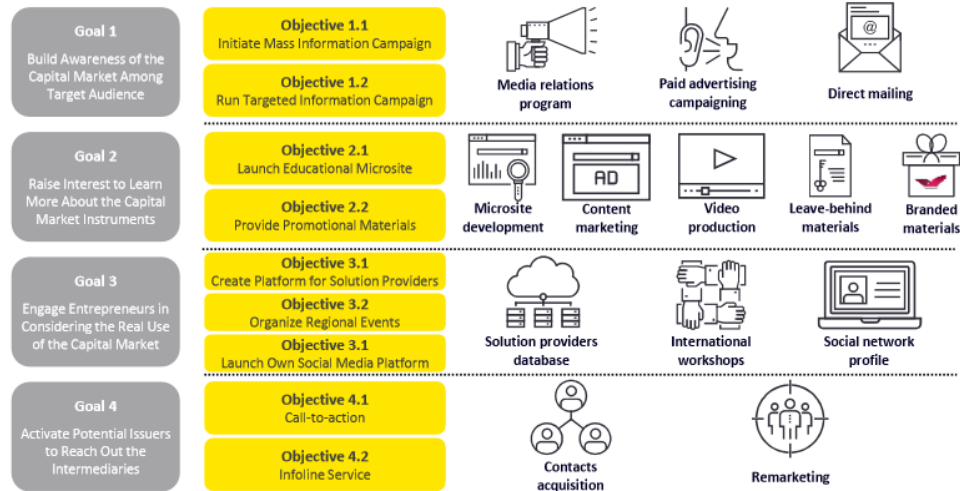


## Communications Goals & Channels

- ▶ The Communication Strategy for enhancing literacy of Czech companies in the area of capital markets is formulated for the period from 2020 to 2025.
- ▶ The first goal of the Strategy is to raise awareness of alternative corporate financing among owners and top management of small and medium-sized enterprises.
- ▶ The expected result of the Communicative Strategy is the real increase in the number of applicants for alternative financing in the Czech Republic by 2025.

Communication goals & Channels

Source: FleishmanHillard



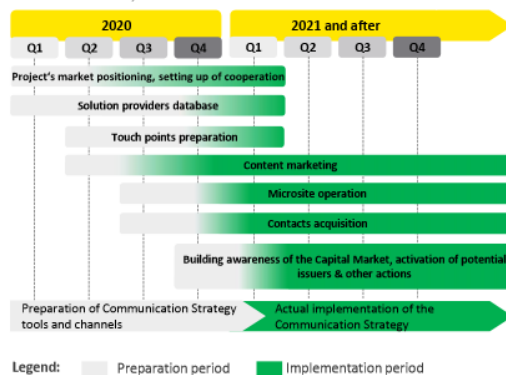
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## Action Plan and Evaluation

- ▶ Action Plan is a specific implementation of the proposed Strategy describing the main activities leading to the accomplishment of the objectives defined in Communication Strategy.
- ▶ Proposal of full-scale Action Plan will be presented at the Reach-out event. This plan will also ensure the coordination of the individual Project owners on the activities, defines the necessary partnerships and financial resources for individual activities and describes the timing.

Initial steps of the action plan

Source: FleishmanHillard, EY



- ▶ Currently it is expected, that the concept of Communication Strategy will be further developed in 2019.
- ▶ Following the approval of the relevant authorities, preparation of the Strategy is assumed to begin in 2020.
- ▶ Supposed timing of previous actions is confirmed, start of the actual implementation of the Strategy is assumed in the beginning of 2021.

### Evaluation

To evaluate results and success of the communication campaign, total impact and accomplishment of the following goals will be assessed:

- ▶ **Awareness:** Build awareness of the capital market among SMEs;
- ▶ **Interest:** Raise interest to learn more about the capital market instruments;
- ▶ **Consideration:** Engage entrepreneurs in considering the real use of the capital market;
- ▶ **Activation:** Activate potential issuers to reach out the solution providers;

After the implementation of the strategy and achieving the goals mentioned above, it is assumed that the utilization of the external financing capital market instruments will significantly grow by 2025.

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## Key topics & corresponding messages - communication campaign

### Content strategy and messaging

- Content strategy was addressed through describing the story, key messages and topics to be presented to the target audiences within the framework of the Communication Strategy.



#### Campaign story



„Kapitálový průvodce [Capital Guide] Project educates representatives of Czech SMEs, guides them and present the capital market to them as a standard source of SME financing on a par with bank loans and own capital.“



„The Project will present both the advantages and disadvantages of using the capital market to raise finance, circumstances under which the capital market is worth considering, the most frequently used approaches as well as real-life examples – success stories of businesses that have benefited from going to the capital market.“



„The Project will not claim that financing through the capital market, whether through debt instruments or by selling a stake in a company, is the best way to raise finance to start or develop an enterprise whatever the circumstances. The aim is to teach Czech businesses to consider and explore three possible sources of funding, instead of just two. The actual advice on which source to choose or whether to opt for a combination of several sources in a specific situation will come from specialists.“



#### Key messaging for SME representatives (owners/management)

- „Funding by bank loans or own capital are not the only available sources of finance for a business undertaking.“
- „In some cases, capital market financing is an adequate alternative.“
- „The capital market primarily offers two types of instruments: debt funding and the sale of a stake in the company.“
- „Seek advice from an expert to see which solution is best in your situation.“

#### Key messaging for intermediaries

- „We come with a Project that will demonstrate to Czech SMEs how the capital market can help them start, develop or finance their business undertaking.“
- „Become involved in the [Project's name] platform. We will help you get in touch with representatives of Czech SMEs and link you with entrepreneurs interested in advice regarding capital market financing.“

#### Key attributes of the Project

- For the purposes of developing a content strategy, it is essential to first define key attributes, to be promoted by the Project's brand:

<b>Simplicity</b>	„No need to fear financing the company utilizing capital markets, it is not that complex.“
<b>Trustworthiness</b>	„This is a stable and standard part of the financial world used by entrepreneurs worldwide daily and with trust.“
<b>Openness</b>	„Capital market is a full-fledged alternative to more well-known corporate financing tools with its positives and negatives.“
<b>Inspiration</b>	„We introduce successful Czech stories of capital market financing to inspire Czech SMEs.“

## Public profiling of the project

- ▶ Apart from producing the suitable messaging and topics, proper public profiling procedures have to be set up in order to foster the Project's identity through improving its cognition and memorability.

### Project's name and web address:

**Kapitálový průvodce**  
[EN: Capital Guide]  
[www.kapitalovypruvodce.cz](http://www.kapitalovypruvodce.cz)

### Project's logo and reasoning for its design

Source: FleishmanHillard



### Means of public profiling of the Project

#### Umbrella branding for entire communication

- ▶ Brand will provide an umbrella for the entire external and internal communication of the Project.
- ▶ It should be involved in most phases of the campaign: (i) raising awareness (public relations, advertising), through (ii) the educational campaign (microsite, leave-behinds with the Capital Guide branding), to the (iii) engagement stage (touch points, workshops, etc.).

#### Microsite

- ▶ Independent (second-level) domain is recommended to be established comprising the features of umbrella branding. The domain name [kapitalovypruvodce.cz](http://kapitalovypruvodce.cz) is available for purchase.

#### Touch point and advisers

- ▶ Kapitálový průvodce [Capital Guide] will also become the umbrella branding for touch points developed in collaboration with a suitable partner (CzechInvest according to a proposal submitted in Deliverable 2).
- ▶ The branding can also be utilised in other materials, such as business cards, t-shirts, stands, etc.

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### EY | Assurance | Tax | Transactions | Advisory

#### About EY

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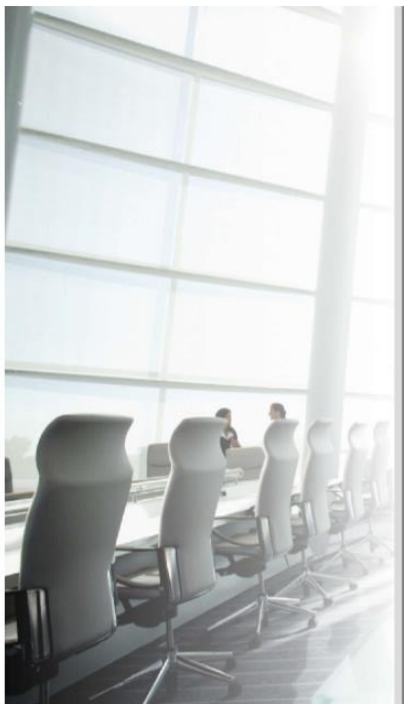
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## Annex 7: PowerPoint presentation presented during the reach-out event



### Obsah

▪ Úvod	2
▪ Informační a komunikační bariéry kapitálového trhu v ČR	4
▪ Mezinárodní osvědčené postupy	9
▪ Komunikační strategie a akční plán	11
▪ Klíčová témata & sdělení	15



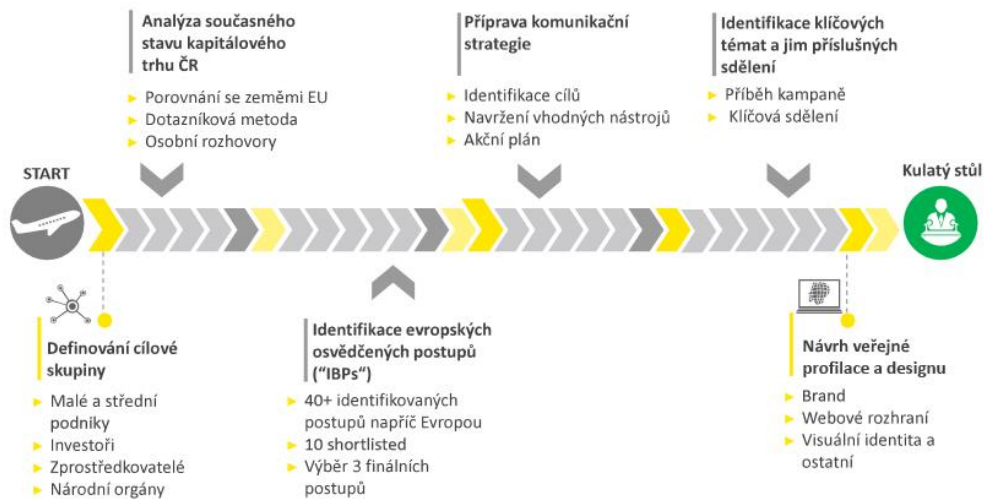
## Úvod

### Postup projektu krok za krokem



**CÍL:** Zvýšení úrovně gramotnosti malých a středních podniků v souvislosti s kapitálovým trhem a podpora národních orgánů ve snaze omezit závislost českých SME na bankovním financování s cílem zvýšení konkurenceschopnosti a udržitelného růstu v České republice.

Příprava **komunikační strategie** pro dosažení tohoto cíle

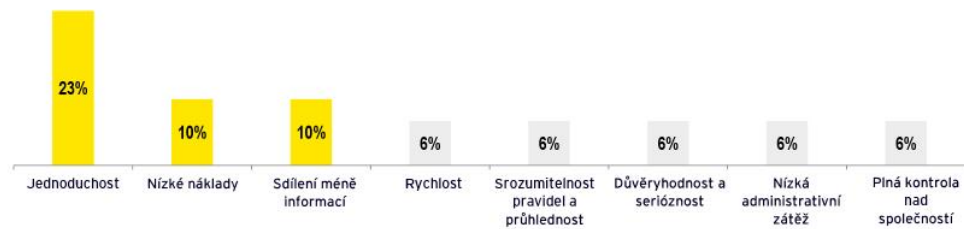




Informační a komunikační bariéry kapitálového trhu v ČR

Klíčové faktory vedoucí k upřednostňování bankovního financování




Bankovní financování – dominantní zdroj financování SME<sup>1</sup>



Zdroj: EY Dotazníkové šetření

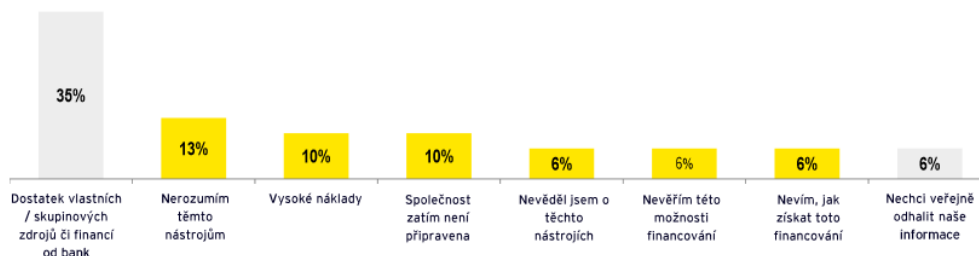
<sup>1</sup> Ostatní respondenti upřednostňují jinou formu financování nebo nezodpověděli otázku

Použití externích zdrojů financování českými SME:

-  92% Bankovní úvěr, kontokorent nebo leasing
-  1,7% Emise dluhopisu
-  2% Ekvitní financování

## Důvody pro nedostatečné využívání nástrojů kapitálového trhu

Omezení a faktory zamezující respondentům využít nástroje kapitálového trhu jako zdroj financování<sup>1</sup>:



Zdroj: EY Dotazníkové šetření

<sup>1</sup> Ostatní respondenti neidentifikovali konkrétní důvody nebo nezodpověděli otázku

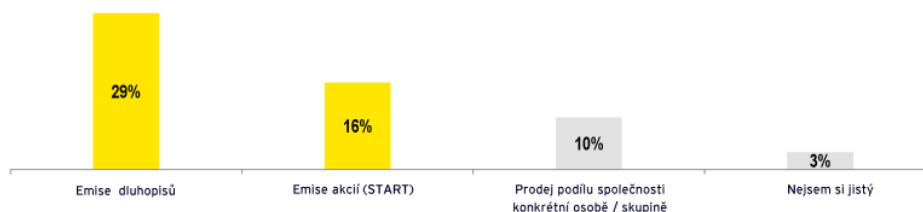
Následující důvody stojí za omezením využívání nástrojů kapitálového trhu malými a středními podniky:

- ▶ Ze získaných dat je zřejmé, že respondenti nejčastěji mají velmi omezené znalosti týkající se nástrojů kapitálového trhu a schází jim nasměrování na správné zdroje informací.

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## Výhody použití nástrojů kapitálových trhů

Respondenty zvažované možnosti financování pomocí nástrojů kapitálového trhu<sup>1</sup>:



Zdroj: EY Dotazníkové šetření

<sup>1</sup> Ostatní respondenti neidentifikovali konkrétní nástroj kapitálového trhu nebo nezvažují použití těchto nástrojů

Vnímané výhody využití nástrojů kapitálových trhů jakožto zdroje pro SME<sup>1</sup>:



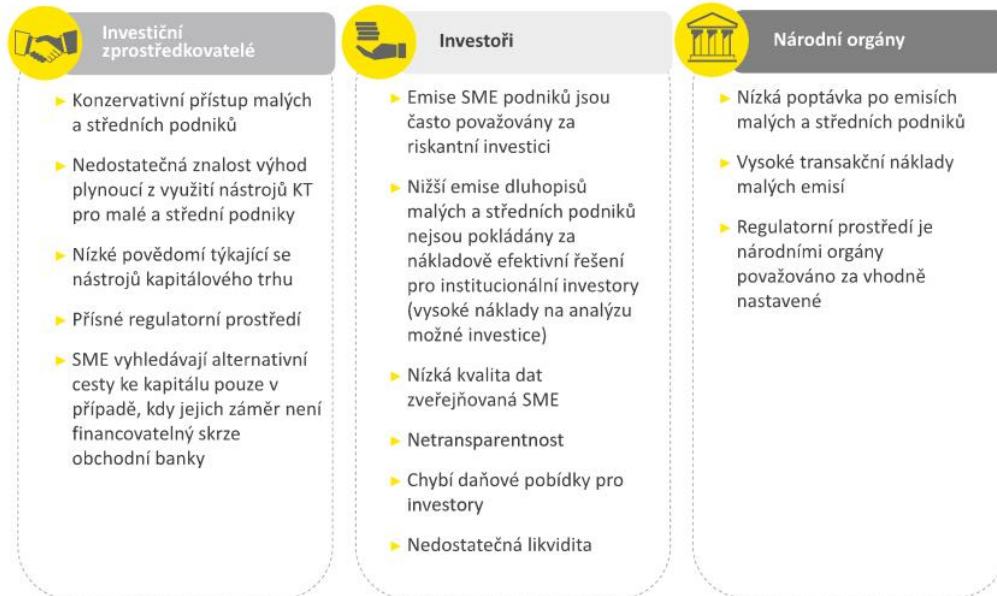
Zdroj: EY Dotazníkové šetření

<sup>1</sup> Ostatní respondenti neidentifikovali žádné přínosy nebo nezodpověděli otázku

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## Identifikace dalších klíčových faktorů bránících rozvoji kapitálového trhu



Mezinárodní osvědčené postupy

## Identifikace mezinárodních osvědčených postupů

### EY Rešerše

- 40** Identifikovaných postupů se zaměřením na rozvoj kapitálového trhu

#### -> Shortlisting

- 10** Vybraných postupů s následujícími charakteristikami:

- ▶ Evropské země, orientace na SME;
- ▶ Nedostatek znalostí SME v oblasti nástrojů financování kapitálového trhu, o jejich výhodách a nevýhodách;
- ▶ Nízké povědomí SME o způsobech získání informací a o kontaktních osobách;
- ▶ Nedostatek dovedností v oblasti vlastní propagace vedoucí k přilákání investorů.

#### Finální výběr pro použití při tvorbě komunikační kampaně

- 3** Postupy s následujícími atributy:

- ▶ Jasně definovaná klíčová sdělení pro vůči identifikované cílové skupině
- ▶ Správně vybrané komunikační nástroje a kanály
- ▶ Optimálně vytvořený obsah relevantní jak pro klíčová sdělení tak pro cílovou skupinu/publikum
- ▶ Kampaně by měla být integrovaná



### "Financial literacy for Business" v Chorvatsku

- ▶ Propojování chorvatských finančních institucí, investorů a podnikatelských subjektů
- ▶ Organizace několika typů akcí (konzultace, workshopy, semináře, kulaté stoly, konference) v různých městech prostřednictvím sítě 20 krajských komor

### **KVK** "Finance Desk of Chamber of Commerce" v Nizozemí

- ▶ Provozování webového portálu obsahujícího přehled alternativ financování pro malé a střední podniky s obecnými informacemi
- ▶ Poskytování poradenství na míru prostřednictvím telefonu, emailu nebo chatu

### "BIC Bratislava" na Slovensku

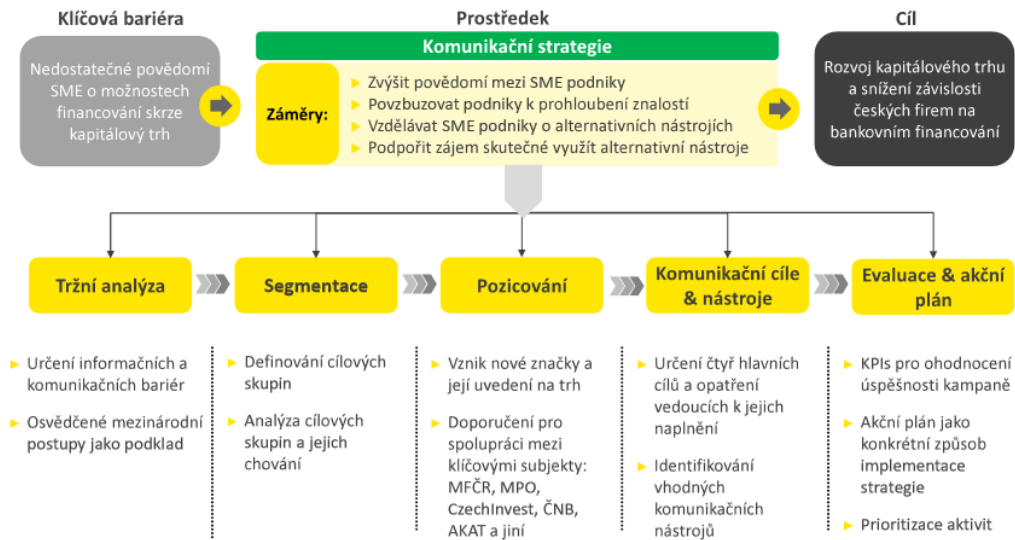
- ▶ Poskytování podpory malým a středním podnikům při přípravě obchodních, marketingových a finančních plánů
- ▶ Organizace akcí (investiční fóra) a podpora SME v přístupu k dluhovému a ekvitivnímu financování

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Komunikační strategie a akční plán

## Komunikační strategie a její formování



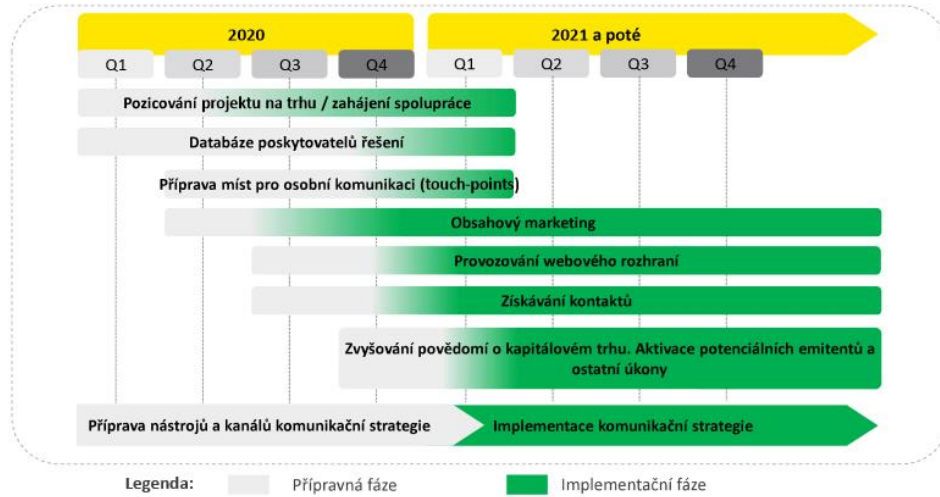
12

## Komunikační cíle a nástroje



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## Akční plán a další kroky



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## Název & identita projektu

### Kapitálový průvodce

- ▶ Stručný, úderný a lehce zapamatovatelný název
- ▶ Profesionální a důvěryhodný
- ▶ Naming s důrazem na obsah projektu (kapitálový trh) i edukační roli (průvodce)
- ▶ Inspirace mezinárodním osvědčeným postupem z Nizozemí: Nationale Financiering Wijzer - Národní finanční průvodce

#### Využití

- ▶ Zastřešující značka pro celou komunikaci
- ▶ Microsite
- ▶ Touch points a poradci
- ▶ Všechny komunikační materiály
- ▶ Vizualní identita



Kapitálový průvodce  
[www.kapitalovypruvodce.cz](http://www.kapitalovypruvodce.cz)

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## Obsahová strategie a klíčová sdělení

### “ Příběh kampaně



„Kapitálový průvodce vzdělává zástupce českých firem, vede je a ukazuje jim kapitálový trh jakožto standardní zdroj financování porovnatelný s financováním bankovním nebo jako alternativu k vlastním zdrojům.“



„Projekt Kapitálový průvodce chce zástupce českých SME vzdělávat, provést je a představit kapitálový trh jako standardní trh pro financování SME, který stojí bok po boku bankovnímu financování a vlastnímu kapitálu. Ukážeme výhody i nevýhody financování na kapitálovém trhu, situace, za kterých je vhodné o této formě financování uvažovat, představíme nejčastější typy řešení ale i příklady přímo ze života – firem, které úspěšně vytěžily možnosti kapitálového trhu.“



„Nechceme tvrdit, že financování na kapitálovém trhu, ať už vydání firemních dluhopisů, crowdfunding, nebo vstup na burzu Start, je za každých okolností ta nejlepší cesta k získání financí pro start či rozvoj firmy. Chceme ale, aby se české firmy naučit prozkoumávat tři možnosti svého financování, místo dnešních dvou. Zda zvolit jejich kombinaci nebo jednu konkrétní, jim poradí odborníci.“

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## Obsahová strategie a klíčová sdělení

### Obecná klíčová sdělení:

- Bankovní financování nebo vlastní kapitál nejsou vždy jedinou možností, kde hledat finance pro podnikání
- I kapitálový trh může pomoci nastartovat, rozvíjet a financovat firmu
- Kapitálový trh nekonkuruje bankovnímu financování a vlastní kapitálu, vhodně je doplňuje: Kdy zvolit vlastní kapitál, kdy bankovní financování a kdy se podívat na kapitálový trh?
- Poradte se s odborníkem, které řešení je pro situaci firmy to nejvhodnější

### Klíčová sdělení pro SME

- Bankovní financování nebo vlastní kapitál nejsou vždy jedinou možností, kde hledat finance pro podnikání
- V některých případech je financování na kapitálových trzích vhodnou alternativou
- Kapitálový trh nabízí dva základní druhy nástrojů – dluhové financování a prodej podílu ve společnosti
- Poradte se s odborníkem, které řešení je pro situaci vaší firmy to nejvhodnější

### Klíčová sdělení pro zprostředkovatele

- Přicházíme s projektem, který českým SME ukáže, jak s využitím kapitálového trhu mohou nastartovat, rozvíjet nebo financovat své podnikání
- Zapojte se do platformy Kapitálový průvodce. Pomůžeme vám potkat se se zástupci českých SME a propojíme vás se zájemci o radu v oblasti financování na kapitálovém trhu

#### Klíčové atributy

- ▶ **Jednoduchost:** „Není nutné se ničeho bát, není to složité.“
- ▶ **Důvěryhodnost:** „Ide o stabilní a běžnou součást světa financí využívanou podnikateli po celém světě na denní bázi a s důvěrou.“
- ▶ **Otevřenost:** „Kapitálový trh je plnohodnotnou alternativou k více známým nástrojům korporátního financování se svými pozitivy a negativy.“
- ▶ **Inspirace:** „Představujeme vám úspěšné příběhy financování českých firem skrze kapitálový trh.“

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**Informace o EY**

EY je předním celosvětovým poskytovatelem odborných poradenských služeb v oblasti auditu, daní, transakčního a podnikového poradenství. Znalost problematiky a kvalita služeb, které poskytujeme, přispívají k posilování důvěry v kapitálové trhy i v ekonomiky celého světa. Vyjimečný lidský a odborný potenciál nám umožňuje hrát významnou roli při vytváření lepšího prostředí pro naše zaměstnance, klienty i pro širší společnost.

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## Annex 8: Participant list

### Vzdělávání malých a středních podniků o kapitálovém trhu

#### Prezenční listina

Datum a čas konání: 17. 9. 2019; 13:30

Adresa konání: Florentinum, EY, 9. patro

Účastníci Speakeři/Přisedící	Podpis
<b>BÍZEK Tomáš</b> MFČR	
<b>BODNÁR Marcel</b> FleishmanHillard	
<b>BOHÁČ Milan</b> J&T Banka	
<b>BUREŠOVÁ Markéta</b> BHS	
<b>FISCHEROVÁ Pavla</b> BCPP	
<b>FLORIÁN Roman</b> J&T Banka	
<b>HATLAPATKA Marek</b> CYRRUS	
<b>HAVLOVÁ Markéta</b> CzechInvest	
<b>HLAVICOVÁ Michaela</b> MFČR	
<b>HORÁK Ondřej</b> AKAT	
<b>KLESLA Arnošt</b> VŠFS	
<b>KOVAŘÍK Jiří</b> BCPP	
<b>KOVÁČ Petr</b> C-Corpin	
<b>KRÁLÍK Aleš</b> MFČR	
<b>KREJČA Vladimír</b> ČNB	
<b>KRICNER Kamil</b> CYRRUS	
<b>KUBELKOVÁ Karina</b>	



<b>HKČR</b>	
<b>KUFA David</b> CONSEQ	
<b>KUTHAN Jan</b> BHS	
<b>MALICH Martin</b> ČNB	
<b>MÁCHA Luděk</b> CRIF	
<b>MESÁROŠ Jiří</b> Dluhopisy.cz	
<b>MUSIL Radek</b> Fundlift	
<b>NÝVLT Štěpán</b> UniCredit Bank	
<b>PAVLÍŠ Martin</b> Moody's Investors Service	
<b>PAVLÍK Roman</b> FleishmanHillard	
<b>PICKOVÁ Zuzana</b> CVCA	
<b>PTÁČEK Ondřej</b> ČMZRB	
<b>RAJTR Vojtěch</b> CzechInvest	
<b>ŘEZÁČ Jan</b> MPO	
<b>SKALNÝ Jan</b> MFČR	
<b>STEHNO Vladimír</b> Česká spořitelna	
<b>STRÝČEK David</b> C-Corpin	
<b>STUPAVSKÝ Michal</b> CONSEQ	
<b>SVOBODOVÁ Kateřina</b> GrantCapital	
<b>ŠEBESTOVÁ Alena</b> EY	
<b>ŠENKÝŘ Daniel</b> Keiretsu Forum	
<b>ŠÍPEK Filip</b> EY	
<b>ŠPOUŠILOVÁ Šárka</b> CzechInvest	
<b>ŠŤASTNÝ Pavel</b> GrantCapital	

FINAL REPORT

<b>ŠUBRT Marek</b> MFČR	
<b>TSCHIRKOVA Gabriela</b> Evropská komise	
<b>ZIKMUND Martin</b> MFČR	
<b>ZLÁMAL David</b> EY	