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Problem statement, objectives, methods and procedures

Theoretical issues (company management, design and creation of business plan, including investment evaluation)

Analytical part (analysis of environment, demand analysis, resources analysis and capacities accordance of identified problem)

Draft business plan, including a variant economic evaluation

Conclusion

List of literature

Attachments

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Abstract

The master's thesis contains the realistic business plan for a language school establishment in Vietnam. First part of thesis contains theoretical basis for the following chapters. The second part of thesis primarily focuses on analysis of the macro- and microenvironment. In the third, the proposal part, the business plan containing all relevant components – needed for decision whether to implement the plan or not – is elaborated.

Abstrakt

V této diplomové práci je zpracován podnikatelský plán pro založení jazykové školy ve Vietnamu. První část práce obsahuje teoretická východiska, jež jsou podkladem pro následující kapitoly. Druhá část práce se soustředí primárně na analýzu makroprostředí a mikroprostředí. Ve třetí, návrhové části, je zpracován podnikatelský plán obsahující veškeré náležitosti, na jejichž základě se lze rozhodnout, zda podnikatelský plán realizovat, či nikoli.

Keywords

business plan, language school, market analysis, marketing plan, financial plan

Klíčová slova

podnikatelský plán, jazyková škola, analýza trhu, marketingový plán, finanční plán

Rozšířený abstrakt

Tato diplomová práce se zabývá vytvořením podnikatelského plánu, jež bude podkladem pro založení jazykové školy ve Vietnamu – konkrétně v centru Ho Chi Minh City. Práce je členěna do tří klíčových částí – teoretických východisek, analytické části a návrhové části, v níž je zpracován samotný podnikatelský plán.

Teoretická východiska práce se zabývají primárně rešerší legislativy ve Vietnamu, jež ovlivňuje podnikatelské subjekty. Tato kapitola definuje podmínky možnosti investování, vlastnictví a řízení podniku zahraničním investorem – primárně povinnosti administrativního charakteru jako je vedení účetnictví, pravidelné reportování hospodářských výsledků a účetní závěrky úřadům a poskytování požadovaných informací a dalších dokumentů.

Následuje srovnání jednotlivých právních forem ve Vietnamu a volba nejuvhodnější z nich. Zvolena byla forma „Limited Liability Company“ – ekvivalent společnosti s ručením omezeným. Hlavním důvodem této volby byla kapitálová nenáročnost, nízká administrativní zátěž ze strany státu a jasně definovaná vlastnická struktura umožňující participaci zahraničního vlastníka nejen formou investice, ale i podílení se na řízení společnosti.

Další kapitola obsahuje rešerši trendů používaných při výuce jazyků – primárně ze zahraniční literatury s důrazem na metody používané v Asii. Poslední kapitolou teoretických východisek je definice podnikatelského plánu a jeho jednotlivých částí.

Analytická část se nejprve zaměřuje na externí okolí zakládané společnosti s využitím SLEPT analýzy, v níž jsou odhaleny klíčové faktory pro zakládanou společnost, jimiž jsou kontinuálně rostoucí populace Vietnamu, signifikantně větší část populace v produktivním věku v porovnání s Evropou, kontinuálně dynamicky rostoucí HDP, platy obyvatel, snižující se nezaměstnanost a rostoucí investice obyvatel do vzdělání.

Pozitivním faktorem je jasně definovaná legislativa zakládající se na francouzském obchodním právu a dlouhodobě stabilní politická situace, navzdory faktu, že ve Vietnamu vládne komunistický režim – ten je však značně ovlivněn kapitalistickými ideami a podporuje soukromé vlastnictví a podnikání. Dalším významným faktem je rostoucí trend využívání chytrých telefonů a Internetu, jež

umožňuje společnosti efektivnější komunikaci se zákazníky, jak z marketingového hlediska, tak z pohledu poskytování nabízených služeb.

Následně je v práci zpracován průzkum trhu, jenž se nejprve zaměřuje na lokální specifika a trendy na trhu. Klíčovým faktorem je marketingová komunikace primárně prostřednictvím sociálních sítí, jež nabízejí nejefektivnější akviziční možnosti. Jeden ze zakladatelů společnosti v současné době již vyučuje jazyky a má 33 studentů, kteří navštěvují lekce pravidelně dvakrát, či třikrát týdně. Všichni tito studenti budou převedeni pod zakládanou jazykovou školu, což zajistí stabilní příjem a cash flow již od začátku podnikání.

Mimo stávajících studentů má o služby tohoto zakladatele zájem rovněž 40 dalších potenciálních zákazníků, jež byli odmítnuti z kapacitních důvodů. V plánu akviziční politiky je úspěšnost konverze těchto zájemců zohledněna dle variant – pesimistické, realistické a optimistické. Dále byl proveden marketingový průzkum formou dotazníkového šetření v pěti lokalitách – třech centrálních částech a jedné okrajové části Ho Chi Minh City a v přímořské lokalitě – Vung Tau. Z šetření vyplývá vysoký zájem o jazykové vzdělávání ať již off-line, či online formou. Rovněž byla zjištěna ochota platit adekvátní cenu za kvalitní vzdělání, jež je pro Vietnam specifická.

Na základě analýzy trhu byly definovány dvě cílové skupiny zakládané společnosti – první skupinu tvoří vysoko příjmoví obyvatelé centra Ho Chi Minh City, kteří preferují výuku off-line a jsou ochotni platit nadprůměrnou cenu, pakliže jí bude odpovídat kvalita poskytovaných služeb. Druhou cílovou skupinou je střední třída nižší věkové kategorie, žijící primárně v příměstských a venkovských oblastech. Tato skupina preferuje výuku online, především prostřednictvím chytrého telefonu a je ochotna platit nižší cenu, než zájemci o off-line kurzy.

Následně je v analytické části vypracována analýza konkurenčního prostředí, v níž je mimo jiné provedena cenová analýza a rovněž posouzena kvalita poskytovaných služeb konkurence – zakladatelé společnosti osobně navštívili zkušené lekce pěti přímých konkurentů – dostatečné kvality však dosahovali pouze tři z nich, navzdory tomu, že požadovaná cena byla nadprůměrná.

Následuje analýza zdrojů, v níž jsou identifikovány klíčové fyzické, lidské, finanční a nehmotné zdroje potřebné pro fungování společnosti – zjištěna byla primárně kapitálová nenáročnost díky již existujícím zákazníkům a stabilnímu cash flow. Jako

nejdůležitější zdroje byly identifikovány know-how, učební techniky a metody, lidský kapitál – primárně pak učitelé a zakládající společníci, poskytovaná kvalita a marketingová strategie společnosti. V následující kapitole je představena koncepce 7S pro zakládanou společnost. Celá analytická část je shrnuta prostřednictvím SWOT analýzy, včetně jejího numerického zpracování a vypracování TOWS matice.

Samotný podnikatelský plán obsahuje představení společnosti, její vize, mise, strategie a cíle. Ve stručnosti lze jako nejdůležitější hodnoty společnosti identifikovat poskytování nejvyšší možné kvality, motivování studentů dosažení požadovaných výsledků v nejkratší možné době a vyhovující formou tak, aby bylo dosaženo dlouhodobého vztahu mezi společností a jejími zákazníky. Následuje shrnutí analýzy trhu a definování organizační struktury.

Klíčovou částí podnikatelského plánu je obchodní plán, jenž obsahuje variantní zpracování akviziční strategie, která je tvořena třemi pilíři – získávání nových zákazníků skrze reference od současných studentů díky vysoké kvalitě poskytovaných služeb, akvizice skrze sociální sítě a to dvěma způsoby – aktivním budováním profilů a reklamními kampaněmi na sociálních sítích s využitím lokální agentury, jež dobře zná trh a poskytuje tak relevantní cílení reklamy. Třetím pilířem jsou propagační akce v lokalitě, kde bude probíhat výuka.

Následující kapitola obsahuje marketingový plán – jeho klíčové výstupy jsou definice dvou produktových řad, jejich cenová politika a cíloví zákazníci. Jedná se o levnější online kurzy a dražší off-line kurzy, jež budou probíhat v centru Ho Chi Minh City. Unikátním prvkem cenové politiky je možnost platit za jednotlivé lekce bez nutnosti zakoupení několikátýdenního kurzu, jak je zvykem u konkurence. Tato politika se jeví jako vysoce riziková, je však velmi atraktivní pro zákazníky ve Vietnamu, kteří nemají rádi dlouhé závazky. Následuje kapitola zabývající se identifikací, vyhodnocením a redukcí rizik společnosti.

Poslední a nejvýznamnější kapitolou je variantní finanční plán, obsahující pesimistický, optimistický a realistický scénář na základě variantní akviziční strategie. Pro každou variantu je zpracován bod zvratu, výkaz cash flow, vyhodnocení rentability a závěrečná rozvaha. Vzhledem k tomu, že již v prvním roce bylo dosaženo i při pesimistické variantě zisku – lze na základě podnikatelského plánu založení navrhované jazykové školy realizovat.

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Čestné prohlášení

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V Brně dne 11. května 2019

.....

Podpis autora

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INTRODUCTION

This master thesis handles with the business plan for the establishment of language school in Vietnam as a tool for deciding whether to implement the intended business plan or not.

In the first part of the thesis the theoretical basis for the analytical and design part will be elaborated and the analytical methods used for the market and environment analysis will be described. In the analytical part, an analysis of the external environment of the company will be carried out using the SLEPT analysis, i.e. the social, legislative, economic and political factors influencing the establishing company.

Subsequently, a market analysis will be carried out, including a market potential analysis using interviews with potential customers – these interviews will be aimed at determining whether and under what conditions these potential customers will be willing to cooperate, analyze trends in the market, and define potential target customers. An analysis of the competitive environment will be followed, using Porter's 5 forces model. Subsequently, a resource analysis for the establishing company will be done.

Next part will contain the creation of the McKinsey 7S framework for the establishing company (which does not exist now – it is not possible to analyze the current state of these factors in the company, but only to create a strategy and a possible target state to achieve in these areas). The entire analytical part will be summarized using the SWOT analysis, which will be the basis for the design part.

The design part will be devoted to the business plan itself, which will consist of the title page, executive summary, business description, market analysis, organizational plan, commercial plan, marketing plan using the marketing mix of services (7P), risk assessment and financial plan. In conclusion, on the basis of all the available information, analysis and plans (in particular the financial plan), a decision will be made whether or not to implement the business plan and establish the company.

1 PROBLEM STATEMENT, OBJECTIVES, METHODS AND PROCEDURES

This chapter defines the problem that the diploma thesis will deal with, defines its main and secondary goals, methods and the procedures of the solution, which will lead to achievement of the set goals.

1.1 Problem statement

The main output of this thesis will be the realistic business plan for setting up the language school in Ho Chi Minh City, Vietnam. This school will be focused on teaching students both Vietnamese and English language using its special methods developed by one of its founders.

Language school will be set up by two partners – one of them will provide 20 % of capital, Vietnamese market knowledge, needed language teaching skills and methods, second one will provide 80 % of capital, knowledge from management, marketing, sales, financial & planning area.

There are lots of language schools and teachers in Ho Chi Minh City and the competition between them is huge. However the Vietnamese market is still booming and offers a lot of potential for newly emerging companies as it is still considered as a developing country. English language is perceived as a must-have by Vietnamese people to build a great career or business as most negotiations with foreign companies are lead in English. Lots of companies also want their expats to learn at least basics of Vietnamese language so that they can understand better their local colleagues and adapt better to the Vietnamese culture.

Majority of language schools is founded by foreign companies which definitely have a lot of experiences from western markets. However the Asian market is really different and the huge competitive advantage of the establishing company will be that one of the founders is a local resident of Vietnam and has the precious knowledge of the culture, traditions, customs and consumers' behavior. On the other hand – the second founder brings the western thinking and knowledge to the company together with the outside view and perspective of the foreigner. Together these two different points of view and experiences create the unique competitive advantage for the company.

1.2 Objectives

The main objective of this diploma thesis is creation of a realistic business plan including an evaluation of the return on investment based on the analysis and determination whether or not to implement this business plan.

The partial goals are as following:

- Relevant information sources finding, processing and leveraging for the following two (analytical and design) parts.
- Legislative requirements and conditions for running the business in Vietnam analysis.
- Interviews with potential customers conduction and their needs identification.
- Required resources needed for doing the business definition.
- Provided services definition.
- Marketing and sales communication definition.
- Pricing policy and payment terms definition.
- Financial plan creation, including forecasted expenditures and revenues to plan the expected capital requirements for company establishment and running.

1.3 Procedures

1. Finding and processing suitable information sources which will serve as the basis for the analytical and design part of thesis. Mainly conditions related to the establishment and operating language school in Vietnam.

2. External environment analysis (SLEPT analysis focused on wider economic environment – meaning social, legislative, economic, political and technological factors affecting this business).

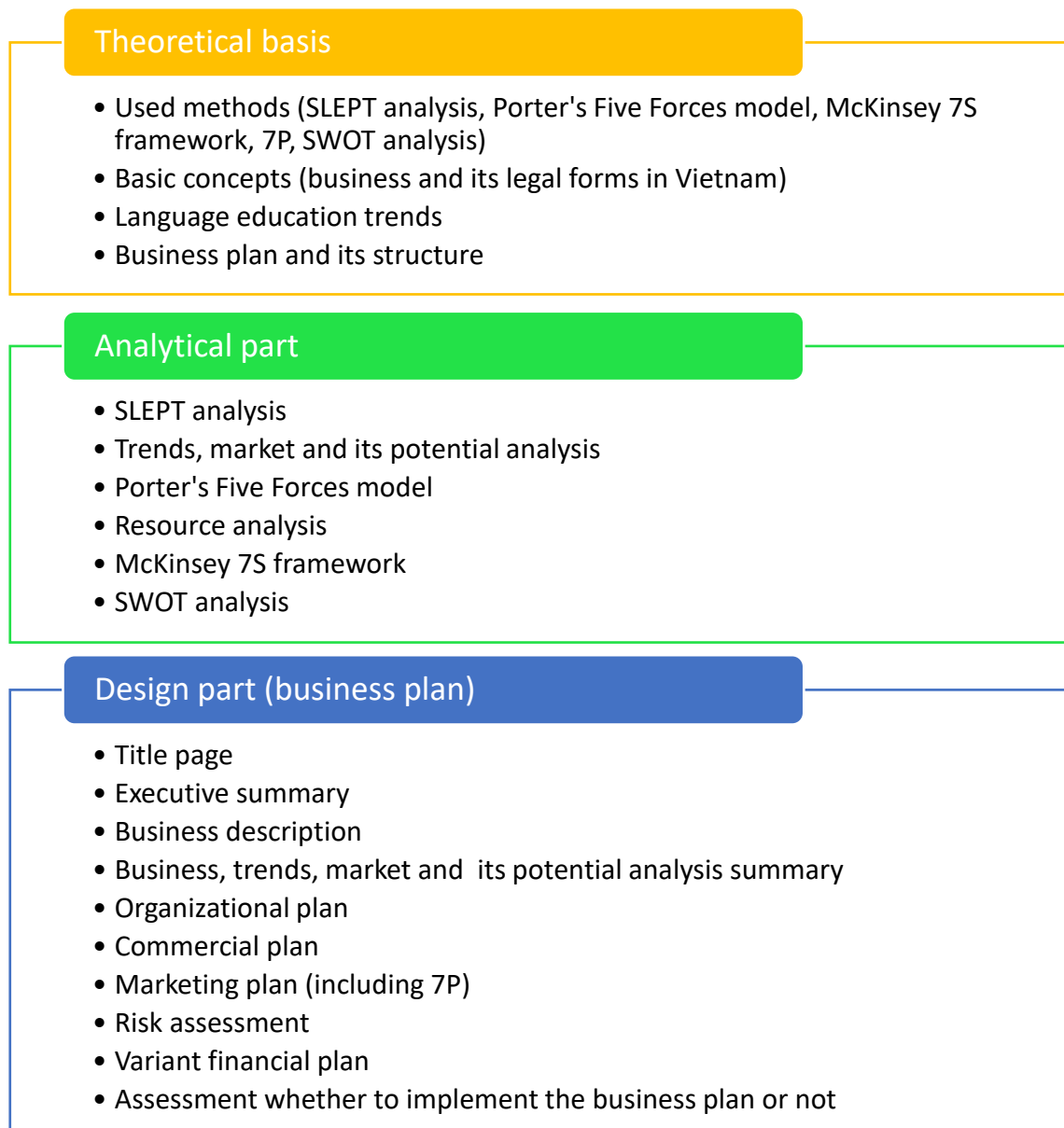
3. Market and its potential analysis – including:

3.1 Potential customers interview conducting to find their needs, requirements and will to use the language school services.

3.2 Trends analysis.

3.3 Target segment definition.

4. Competitive environment analysis (applying Porter's Five Forces model, which analyzes buyer and supplier power, competitive rivalry, threat of substitution and threat of new entry).
5. Resource analysis.
6. Applying McKinsey 7S framework that will be created as a vision of seven "S" factors in the establishing language school.
7. Analytical part of thesis summary using SWOT analysis – meaning strengths, weaknesses, opportunities and threats that the company will be facing.
8. Business plan creation with the following structure:
 - 8.1 Legal form of the company, ownership structure, the rights and obligations of founding members definition.
 - 8.2 Trends, market and its potential analysis.
 - 8.3 Commercial plan creation.
 - 8.4 Marketing plan with the 7P marketing mix of services creation – including definition of the services provided by establishing company, marketing and commercial communication (advertising), pricing policy and payment terms (price), customers acquisition method (place), representative spaces and materialistic business support (physical evidence), processes and people.
 - 8.5 Organizational plan creation.
 - 8.6 Risk assessment and corrective steps definition.
 - 8.7 Financial plan creation based on the previous analysis – including the variant solution of plan and evaluation whether or not to implement the business plan based on these findings.



Picture 1: Procedure scheme. (Source: own processing)

1.4 Methods

This chapter introduces the main methods used for both internal and external environment of the establishing company analysis.

1.4.1 SLEPT analysis

Sometimes it is also presented as PEST analysis. The aim of this analysis is to identify and subsequently examine the external factors of the so-called general business environment. Each letter of the name SLEPT represents one factor that has a significant impact on the company. Areas are as follows:

- **SOCIAL** – the social factor includes demographic influences and indicators (such as the population and its age, individual ethnicity and other factors), culture (customs, traditions, etc.), education and others,
- **LEGAL** – this factor includes all the legal regulations of the country, in the case of international jurisdiction it is also necessary to take into account the legislation of other states or unions (in case of Vietnam mainly EVFTA, WTO and others) in which the company operates,
- **ECONOMIC** – the macroeconomic environment, economic indicators such as GDP, inflation, taxation, interest rate, financing availability (loans, leasing, etc.) are analyzed in this area,
- **POLITICAL** – this part includes the political situation in the country or its relations with other states, the stability, the attitude of the government towards entrepreneurship, the degree of bureaucracy and the complexity of the state apparatus as well as the processing time for applications in state offices,
- **TECHNOLOGICAL** – this area is focused on the level of technology within the market, country's contribution to the latest trends in the world, level of science and research as well as state support in this area respectively the use of the latest technology. (Koráb, Peterka, Režňáková, 2007)

Sometimes there is one more factor that will transform the shortcut of SLEPT into SLEPTE. The added letter **E** represents the **ENVIRONMENTAL** area which corresponds to the latest trends and focuses on environmentally friendly processes and products of businesses to meet the latest requirements of society – mainly legislative but also requirements of customers to obtain "environment friendly" products. As an example there are emission regulations in the automotive industry. (Červený, 2014)

1.4.2 Market analysis

The main task of market analysis is to gather, analyze and evaluate information about the market and business environment. The main areas of focus are demand, customer requirements and competition. A less demanding form of market analysis is the use of research or data already processed – so called secondary data. The more demanding form is self-examination – on both finance and time but the results have significantly better quality – so called primary data. (Fotr, Souček, 2005)

Firstly, it is necessary to define a target market including pre-segmentation. Followed by analysis of the customers, their requirements, needs, expectations, but also the price they are willing to pay for the satisfaction of their needs. Once this data has been gathered, a more detailed segmentation of the market has to be made on the basis of the most significant factors – especially geographic, socio-demographic and psychological. (Fotr, Souček, 2005)

It is necessary to analyze the competition on the market and the degree of threat it represents to the company. It is also recommended to analyze the whole industry and its current life cycle stage. On the basis of these data, it is possible to determine the demand forecast, which will be the basis for the subsequent planning - especially for the financial plan which is used for the business plan implementation evaluation. The main outcome of the market analysis is also the identification of market risks and opportunities. (Fotr, Souček, 2005)

1.4.3 Porter's Five Forces

This model is used to explore and analyze the company's competitors (whether existing or potential). It is one of the most important tools for analyzing the competitive environment. It mainly takes into account rivalry and competitive pressures on the chosen market. The key elements of this model are competitors (potential and existing), customers, suppliers and substitutes. (Koráb, Peterka, Režňáková, 2007)

Professor Michael Porter, who responded to a SWOT analysis which he considered too general, was credited with this method. In practice, these methods are now being used in parallel. (Koráb, Peterka, Režňáková, 2007)

1.4.3.1 Threat of New Entry

This force poses a threat especially in new and dynamically growing sectors where the market is not saturated yet. Respectively the market is booming enormously thanks to the new technology or innovation. It also poses a greater threat in sectors which don't require a special license, permit or an enormous capital to start business in. (Koráb, Peterka, Režňáková, 2007)

1.4.3.2 Threat of Substitution

The existing product can be replaced by an entirely new product that exceeds it in all respects. It can also be replaced by a similar product with a lower price. Another

option is substitution by a product that is only equipped with some extra feature, but at the same price. In this respect, customer loyalty and brand strength play a major role. (Johnson, Scholes, 2000)

1.4.3.3 Competitive Rivalry

In this area, it is necessary to analyze the intensity of the competition, the size of the market and, eventually, its saturation together with the potential for new companies to enter. Furthermore to find out whether there is a dominant competitor who is the market leader and his posture against the current competition – does he try to destroy all competitors or does he leave "leftovers" to them (because the direct confrontation would cost him too much resources)? (Koráb, Peterka, Režňáková, 2007)

1.4.3.4 Buyer Power

Customers are probably the most important element for every company – without them, no business could exist. However, it is necessary to define how much the product that the company offers is unique, in what volumes individual customers order, what is their size and the negotiating power towards the supplying company. Account should also be taken of potential customers' costs of changing suppliers and the existence of equivalent substitutes respectively. (Johnson, Scholes, 2000)

1.4.3.5 Supplier Power

In the case of supplier power, it is necessary to realize how important resources supplied to us by a particular supplier are. If his resources are indispensable and essentially irreplaceable by competitors' products (e.g. specific materials in the aviation industry, where parts are produced by only a few companies around the whole world due to costly research and development) his negotiating power will be very high. It may not only be material resources but also resources in the form of knowledge, information, personnel, etc. (Johnson, Scholes, 2000)

1.4.4 Resource Analysis

Resource analysis takes into account all the resources available to the company. Not only material resources owned by a company in the legal sense of ownership, but also intangible resources such as know-how, relationships with suppliers and customers, etc., should be taken into account. These should be mainly unique resources that

distinguish the company from competitors and represents a competitive advantage on market. (Johnson, Scholes, 2000)

1.4.4.1 Physical resources

In the case of physical resources, as their name implies, these are resources of a material nature that are important to the competitiveness of the company. They are, for example, machines, production lines, etc. It is not enough just to list these sources, but also to specify their quantity, status, age, disposition and other properties as much as possible. (Johnson, Scholes, 2000)

1.4.4.2 Human resources

When analyzing human resources, it is not just about writing a list of them, but also to specify all skills, competencies, knowledge and experience of individual workers and their allocation in the given positions. It is also appropriate to take into account the readiness and adaptability of individual workers for possible changes within the company. (Johnson, Scholes, 2000)

1.4.4.3 Financial resources

The financial resources analysis is focused not only on the resources themselves but also on the purposes for which they are used and also the management of financial flows - i.e. receivables from the company's customers and liabilities to suppliers or the state. It also includes relationships with providers of financial resources, primarily banks, non-banking companies or investors. (Johnson, Scholes, 2000)

1.4.4.4 Intellectual resources

An increasingly important source of competitive advantage nowadays becomes intangible property of the company. The intangible resources include the image of the company, its reputation and relationships with customers, suppliers, the state and other stakeholders. Especially the brand and the know-how are one of the most important intangible resources. (Johnson, Scholes, 2000)

1.4.5 McKinsey 7S Framework

McKinsey 7S framework is a diagnostic tool for analyzing the company's internal environment, while allowing you to compare your current status with your

company's strategy and determine how real your goal is to achieve. It consists of the 7 basic areas that are explained below:

- **Strategy** – is about defining the mission and vision of the company and how to achieve this vision in the most effective way,
- **Structure** – this area defines the organizational structure of the company, the organization within the company and the interrelationships between the individual employees (senior – subordinate),
- **Systems** – these are all procedures, systems and resources that support the most efficient and fastest development of the company according to the strategy – these are primarily control and measurement systems with the aim on efficient resources allocation,
- **Style** – is mainly the behavior of management towards customers, employees, or suppliers in individual situations and the level of formality of relations at the workplace,
- **Staff** – people are the most valuable asset of companies today, and therefore great attention must be paid to hiring employees, motivating them, training, rewarding and building a work environment in which they will be happy and productive,
- **Skills** – these are mainly the skills, knowledge, experience and habits of company employees whose development needs to be intensively pursued through training courses, conferences and other activities,
- **Shared values** – this area can be called a collective value system that shapes a company culture – the more values employees share in the company, the more likely it is for a company to succeed. (Fleisher, Bensoussan, 2007)

1.4.6 SWOT analysis

SWOT analysis is an evaluation of the strengths and weaknesses (internal environment) and opportunities and threats (external environment) of the company. SWOT analysis can be used as a summing up tool of previous strategic analysis or as a standalone analytical tool. (Keřkovský, Novák, 2015)

Analysis of the external environment results in opportunities and threats. These are obtained through the monitoring of forces operating within the macro environment

(mainly SLEPT analysis) and microenvironment (such as customers, suppliers, competitors and others). The primary objective of environmental analysis is to find opportunities that can be used to increase profits - especially when a product is deficient, if the company can improve the current product or deliver the existing product in a completely different way. (Kotler, Keller, 2013)

Based on the analysis of the internal environment, the company identifies its strengths and weaknesses. It is not always desirable to remedy all weaknesses. It is necessary to compare the costs incurred for their removal and the effect of this removal. It is also important to consider whether to focus purely on opportunities that correspond to the current strengths of the company or "not to be afraid" to go into the unknown and take advantage of opportunities that pose a certain risk, because for their successful use, the strengths of the company will have to be built firstly. (Kotler, Keller, 2013)

2 THEORETICAL BASIS

In the theoretical basis of the thesis there are prepared documents for analytical and design part. There are key definitions and concepts related to the topic of this work.

2.1 Vietnamese legislation overview

This chapter explains the basic concepts that will be used in this work. The main reason for introducing these concepts is the different legislation in Vietnam compared to the Czech legislation. Vietnamese law is based on the French commercial law system – nowadays it is highly influenced and modified by communist party. Key legislative documents for starting business in Vietnam are Law of Enterprises (No. 13-1999-QH10), Law of Securities (No. 70/2006/QH1100, Law on Investment (No. 59-2005-QH11) and Circular on guidelines for accounting policies for enterprises (200/2014/TT-BTC) issued by Ministry of Finance Vietnam.

In the paragraph below – there is a list of obligations of enterprises according to the Vietnamese law. The obligations are very similar to those applied in the Czech jurisdiction.

„An enterprise operating under this Law shall have the following obligations:

- 1. To conduct business strictly in accordance with the registered lines of business;*
- 2. To keep accounting records, to make entries in accounting records, invoices, source documents and to prepare financial statements truthfully and accurately;*
- 3. To register, declare and pay taxes and to perform other financial obligations as provided for by law;*
- 4. To ensure the quality of goods in accordance with registered standards;*
- 5. To declare and periodically report fully and accurately information relating to the enterprise and its financial position with the business registration body; to correct promptly the information with the business registration body upon discovery of any inaccurate, incomplete or falsified declaration or report of information;*
- 6. To give priority to domestic labour, to ensure rights and interests of employees in accordance with labour laws; to respect the rights of trade union organizations in accordance with the laws on trade unions;*

7. *To comply with laws on national defence, security, social order and safety, protection of natural resources and the environment, protection of historical and cultural sites and places of interests;*

8. *To perform other obligations as provided for by law“ (Article 8, Law No. 13-1999-QH10).*

Key point for the foreigners who want to run business in Vietnam legally is the second paragraph of Article 10 from Enterprise Law which specifies the rights of capital contribution as below:

„Foreign organizations, foreign individuals not having permanent residence in Vietnam and Vietnamese residing overseas may contribute capital to limited liability companies, shareholding companies and partnerships in accordance with the Law on Promotion of Domestic Investment“ (Article 10, Law No. 13-1999-QH10).

The Article 12 of Enterprise Law also specifies the process of enterprise establishment and registration of business which is as following:

„1. The founder of an enterprise must prepare and submit all of the business registration documents as prescribed by this Law to the business registration body which is part of the people’s committee of the city or province under central authority where the enterprise has its head office and shall be responsible for the accuracy and truthfulness of the business registration documents.

2. A business registration body may not require the founder of an enterprise to submit additional documents other than those provided by this Law for each type of enterprise. A business registration body shall be responsible only for the regularity of the business registration documents.

3. A business registration body shall be responsible for registering the business within fifteen (15) days from the date of receipt of the documents; where the business registration certificate is refused, the founder of the enterprise must be notified in writing. The notice must specify the reasons and the amendments or additions required“ (Article 12, Law No. 13-1999-QH10).

In this case the business registration body refers to the Ho Chi Minh City registration office. Content of the submitted documents is generally similar to those in the Czech Republic: the identification of founders/investors and their shares

distribution, amount of capital, business activities, address, org chart, etc. Specific information are listed in articles 13 to 16 of Law No. 13-1999-QH10 which are not inserted to the thesis due to their vastness.

2.1.1 Business entities in Vietnam

Before starting the business itself, it is always necessary to choose the right form of business. Vietnamese legislation enables both physical (business of individuals under their own name and under their own responsibility) and legal entities (the creation of a completely new legal entity). In order to carry out business, both in the case of a natural person and in the case of a legal person, it is necessary to obtain a trade license. The definition of the trades and the general conditions of the trades are set out below. (Law No. 13-1999-QH10)

In Vietnam – business entities are divided into two major groups – enterprises and direct investments, as following:

- Forms of enterprises:
 - o Private Enterprise,
 - o Limited Liability Company,
 - o Joint Stock Company / Shareholding Company,
 - o Partnerships. (Law No. 13-1999-QH10)
- Forms of direct investments:
 - o Joint Venture,
 - o 100% FOE (fully owned enterprise by foreigners),
 - o Business Cooperation Contract. (Law No. 59-2005-QH11)

Based on the previous law analysis – only three of these forms are adequate for this business plan as one of the founding partners is a foreigner in Vietnam who wants to let his permanent residence within the Czech Republic. These forms are Limited Liability Company, Joint Stock Company / Shareholding Company and Partnership. Therefore only these three entities will be characterized more closely and compared to choose which one is the most suitable for the establishing company. The minimum paid capital is based on the industry in which company makes business.

- **Limited Liability Company** is very similar to the Czech s.r.o. – its minimum capital requirement is 10 000 USD (approximately 225 000 CZK at the time of this thesis creation) and is the most used non-private business legal entity. It has two forms in Vietnam. First one is a **single-member LLC** and the second one is **multi-member LLC**. Single member LLC's corporate structure consists of one member only – who is the owner and ultimate authority at the same time. He is liable only within his contributed capital of the company. Multi-member LLC has corporate structure consisting of member's council (founders of company), director (this position can be done by foreigner who has a work permit – or it can also be outsourced) and inspection committee (if the enterprise has less than 11 members – this committee is not required). (Law No. 13-1999-QH10)
 - o **Advantages** of the LLC are mainly the liability limited by the money invested to the company by founder, clear ownership structure, easy to settle the company, possibility of foreigners to participate in the company, low capital requirements and representativeness of this legal form (as still not many people in Vietnam can afford to fulfill the capital requirement).
 - o **Disadvantage** is mainly necessity of creating the inspection committee if the company has more than 11 members.
- **Joint Stock Company** is similar to the Czech a.s. with the minimum capital requirement of 10 billion VND (approximately 9.7 million CZK at the time of this thesis creation). It is the most prestigious legal form of the company which provides the seriosity and representativeness to the business. It also enables to split the shares of the company amongst many shareholders and transfer their shares easily. However it requires to have a massive corporate structure including „general meeting“ which is the highest decision making body of the company (all shareholders), management board, inspection comitee (appointed by general meeting), chairmen of the management board and the general director. (Law No. 13-1999-QH10)
 - o **Advantages** are mainly the representativeness and professionalism provided by the fact that the company has to have so big capital from the

beginning. Another advantage is definitely the liability of shareholders only up to their stock investment.

- **Disadvantages** are mainly enormous capital requirements from the point of establishing company business nature and more complex bureaucracy.
- **Partnership** has three types of business entities – generally none of them is very popular in Vietnam. First one is the **General Partnership** which is not attractive due to the full personal liability of partners and each partner is responsible for another partner's actions. Second type is the **Limited Partnership** which defines the role of so called limited partner whose liability is limited by the amount of his investment in business – however this partner can't participate in the management of a business and the status of general partners remain unchanged. Third type is the **Limited Liability Partnership** which is a combination of partnership and a company. It was created mainly for the professionals offering their services to their own clients with the possibility of jointing to gather better competitive advantage on the market together with the building of the brand for the future. This form is mainly used by accountants, lawyers, etc. where every partner serves his own clients but enjoys the benefits of shared marketing, accounting and other services dedicated for the whole partnership. (Law No. 13-1999-QH10)
 - **Advantages** are pretty hard to find by the General and Limited Partnership – however the Limited Liability Partnership seems to be a great choice for professionals enabling them to enjoy benefits of the company such as shared marketing, branding, accounting and other supportive services while remaining free in terms of their clientele.
 - **Disadvantages** of the first two forms are mainly the full liability and the fact that at the moment of quitting the partnership – partner can't sell any share as it is not the company entity. The biggest disadvantage of the third form of partnership can be the complexity of founding such entity and agreeing on all details.

Critical evaluation:

For the establishing language school, the most advantageous legal form is a Limited Liability Company which clearly determines the arrangement of ownership

relations between shareholders. It is not “capital-heavy” and is the most common legal form of the company in Vietnam. It is legal to own a share in this type of the company which is must-have for one of the founders.

2.2 Trends in language education

This chapter presents the latest trends in language education industry – mainly in the south Asia which is the target market of the establishing company and therefore these trends are most relevant for this thesis.

2.2.1 Using conversation as the most powerful tool

This method sounds extremely simple but it isn’t leveraged fully in standard schools as there are usually too many students at the same time and the effective conversation cannot be done. Continuous practical use of learnt language is the best way to reach the desired level – it helps the student to become familiar with the rules and grammar naturally and “saves” it to the subconscious mind while remembering it automatically every other moment in the future. Conversation also helps students to train the thinking process to build up ideas and every other discussion helps them to experiment with the language under evaluation of the teacher who corrects the potential mistakes in real time which is the best moment for remembering it. (Dalal, Gulati, 2018)

2.2.2 Intensifying impact of the Internet

English is becoming the global language more and more nowadays. Even though the booming Chinese economy which is having consistently growing impact on the world business environment and markets around the whole world, Chinese language does not seem to become the global language – mainly because of its complexity and also because of already high penetration of English within all countries around the world. (Dalal, Gulati, 2018)

Many companies, businesses and entrepreneurs are not translating their web presentations and products descriptions on the Internet to other languages than the local one and to the English as it is the commonly understood language around the whole world. This fact can be perceived both negatively and positively – negative aspect is the decline of usage of local languages and the danger of their total disappearance, however this is the question of the really far future. On the other hand – the positive aspects are

much bigger – global language usage opens all the markets and cultures to each other and allows people around the whole world to communicate with each other even though their native languages and cultures are completely different and the Internet is a perfect tool for such connection and language learning. (Dalal, Gulati, 2018)

2.2.2.1 Virtual classrooms

Together with the general Internet content – there are also online language courses which allows to study the language fully online from any place in the world or serves only as the teaching support for the face to face courses such as materials, voice and video recordings presentations, tests, etc. (Dalal, Gulati, 2018)

Next to the content in terms of files and documents – there are also widely emerging so called virtual classes which allow students to talk with the teacher using the Internet together with seeing each other and seeing the learning materials as well as interacting with them via shared screens and shared documents. This is beneficial for both students (who don't have to travel to the classes) and teachers (who can save money for buying or renting the classrooms). (Dalal, Gulati, 2018)

2.2.3 Digital storytelling

“Digital storytelling is the practice of combining narrative with digital content, including images, sound, and video, to create a short movie, typically with a strong emotional component” (page 45, González Davies, 2012).

By combining the narrative and digital content students connect these two parts into one and remember the taught topic much better. Students will create bonds between stories themselves and events, places, characters and their visual and vocal illustration together with the emotions they felt during this digital "presentation". (González Davies, 2012)

Critical evaluation:

From this chapter it is evident that technologies play a huge role in language education industry. Companies have to adapt quickly to the new methods on the market to keep pace with their competitors. However standard teaching methods such as old fashioned conversation will probably never disappear as they are still one of the most efficient way of learning new language.

2.3 Business Plan

Often the terms of business intention and business plan are confused. For this reason, the definitions of these two terms are given below.

A business intention is an idea, thought or concept of something new that can bring economic benefit to the author of this idea. It may be the vision of a new product, service, production process, new business, etc. (Koráb, Peterka, Režňáková, 2007)

The business plan is processed business intention into a structured document that includes all necessary elements such as strategies, visions, goals, market analysis, marketing plan, organizational plan, risk analysis, financing, and more. On the basis of business plan the decision whether to enter into a business in this area can be made as well as consideration of investors whether to invest in the company or not. (Koráb, Peterka, Režňáková, 2007)

The key business plan requirements are:

- Briefness a clarity,
- Simplicity a comprehensibility,
- Focus on the future,
- Realism and credibility,
- Quality processing,
- Transparency and more. (Koráb, Peterka, Režňáková, 2007)

2.3.1 Business Plan Structure

The structure of the business plan is not strictly defined. In general, it is always necessary to adapt its structure to the current situation. Otherwise, it will look like a business plan for a potential investor, otherwise for a bank, etc. One of the possible structures is as follows:

- Title page,
- Executive summary,
- Business description,
- Business and market analysis,
- Organizational plan,
- Commercial plan,

- Marketing plan,
- Risk assessment,
- Financial plan. (Koráb, Peterka, Režňáková, 2007)

2.3.1.1 Title page

This is a summary of the business plan on one page. The title page should contain the name of the plan that should clearly describe the entire project. It should also include contact details of key persons (company owners / plan creators), main business area, eventual name and headquarters. In brief, the way of financing and the structure of the company should also be introduced. Looking at the front page, a potential investor decides whether to continue reading the plan or not. (Koráb, Peterka, Režňáková, 2007)

2.3.1.2 Executive summary

As the title of this section suggests, it is a summary of the entire business plan. It must contain the most important facts. Its length must be minimized as much as possible - a maximum two-page document. The main objective is to attract potential investors and make them study the whole business plan. The executive summary should contain a brief but concise description of the following areas:

- The founder / manager / executive team and the reason why these people are suitable for the realization of the business plan,
- Products / services and their main unique and competitive features,
- Identified market opportunities for the company,
- Strengths and benefits of the company over competition,
- Strategies leading to success,
- Prediction of financial flows and the amount of funds needed. (Koráb, Peterka, Režňáková, 2007)

2.3.1.3 Business description

This part of the business plan characterizes the company itself. Its legal form, planned size, strategy, goals and activities needed to achieve them. There is a description of the key products and services offered by the company which will represent key income sources of its business. It is necessary to define what distinguishes the products of the company, where they are exceptional, unique and competitive. In

this section, it is also necessary to justify the organizational structure of the company. First of all, the management team, who will be responsible for the implementation of the business plan and will carry it out. It is also appropriate to introduce this team – why they are the right and competent people with experience, knowledge, education, practice, etc. It is necessary to present all the facts realistically. It is not suitable to be over positive as it does not correspond to a real situation. (Koráb, Peterka, Režňáková, 2007)

2.3.1.4 Business and market analysis

In this section there are internal and external analysis of the company and the market. In the case of the internal analysis, this is only a matter of considerations, as the company is not based yet. But it is the analysis of competitive environment and the overall sector which can be done fully. SLEPT Analysis, Market Analysis, Trends and Market Potential, Porter's Five Forces model, Resource Analysis, McKinsey 7S framework will be used for market and business analysis. (Koráb, Peterka, Režňáková, 2007)

2.3.1.5 Organizational plan

The organizational plan defines relationships, links, rights and responsibilities of individual workers (organizational structure) in a company. It defines key employee knowledge and assigns individual positions to the tasks. Outside employees' organization, it also provides information about owners (size of business shares, decision-making rights, etc.) and company management. (Koráb, Peterka, Režňáková, 2007)

2.3.1.6 Commercial plan

In some literature, this plan is also called technically – technological. For the establishing company, however, it is more appropriate to call it a commercial plan as it is the service oriented business. This plan contains a sequence of activities that must be carried out over time in order to achieve the objectives set. In the case of a service company, it is primarily a commercial strategy – which customers will be communicated, how and in what time horizon. (Fotr, Souček, 2005)

2.3.1.7 Marketing plan

The marketing plan is a key area of the whole business plan. It defines a strategy of how the company wants to be distinguished from existing competitors. It is about choosing pricing policy, customer service, marketing budget, product packaging, etc. It is important to plan marketing strategies, visions, goals and activities to achieve these goals. It is also necessary to plan a budget for all marketing activities, which will then be taken into account in the company's financial plan. Part of the marketing plan is also the marketing mix of services (7P). (Koráb, Peterka, Režňáková, 2007)

2.3.1.7.1 Marketing Mix (7P)

The marketing mix can be interpreted in two ways. The first is the interpretation of the marketing mix as part of the marketing strategy. The second glance is an operational tool that enables us to implement a marketing strategy for the company. The basic components are product, price, distribution and sales support. All of these elements are interconnected and their values are not established independently but always in mutual symbiosis. All analysis, strategies, goals and plans of the company must be taken into account when creating a marketing mix. (Fotr, Souček, 2005)

The marketing mix of services is expanded by three other components – the material environment, people and processes. These components better outline the nature of the service companies compared to the classic 4P marketing mix, which is more suitable for companies trading with physical products. (Vašítková, 2014)

PRODUCT

The product has to be developed based on the previous market survey. The company needs to realize whether it wants to focus on a particular segment, or to serve the wider market. Based on this, it will be chosen what product range to offer and, above all, what width and depth of production line it will provide. The product should be designed and tested based on customer requirements (ideally including prospective customers to the testing process). Part of this marketing mix area is also the way the product is packaged, how it is provided with additional services such as customer service, etc. (Fotr, Souček, 2005)

PRICE

In many cases, price is the most important factor. This is particularly true in both the Czech and Vietnamese market. When choosing a pricing policy, account should be taken not only on the requirements and sensitivity of potential customers for the price, but also on the pricing policy of the competition, on the product's production costs, wholesale discounts and possible regulations by the state, which intervenes in the pricing of companies in specific sectors. If the company is just starting to produce the product and therefore all processes are not optimized and the staffs are not sufficiently trained, there may be a bridging time in which the company produces and sells products at a loss. However, it must always be properly counted whether this activity will pay off in the long run. (Fotr, Souček, 2005)

PROMOTION

By sales promotion, most people will only imagine advertisement. In reality, sales promotion contains all activities related to the promotion of market entry of products and their sustainability on the market in the long run. It is always necessary to compare sales support costs with their potential benefits and invest only in economically advantageous amounts. Sales promotion also includes advertising, public relations, personal sales and more. (Fotr, Souček, 2005)

PLACE

This component of the marketing mix includes all delivery terms, means and modes of transportation, inventory management and goods protection during the journey together with the optimization of routes and all other logistical aspects. The main distribution channels can be retail, wholesale, and direct distribution to end customers. (Fotr, Souček, 2005)

PHYSICAL EVIDENCE

Due to the intangible nature of services, its quality and the degree of customer satisfaction cannot be assessed before it is consumed. The physical evidence is a sum of all the elements (mainly material nature) by which company presents the service before the purchase itself. These items include the company's buildings and office space, its fleet, employees' clothing, promotional materials such as brochures, catalogues, business cards or websites – that are not of a material nature, but their appearance and

quality also to some extent, testifies about the quality of the services provided by the company. (Vašítková, 2014)

PEOPLE

For companies operating in the service market, this factor is very important. The provision of services is largely interpersonal, and all people involved in the service are key elements of the company's success. Employees of the company should have a personal relationship with their customers – especially by recurring services. They are the most important element of the quality perception by customer of provided service, and their skills and experience in most cases determine whether the customer will use the service again or not. In addition to employees, customers who are actively or passively involved in the process are also an important element in the provision of services, so sufficient time is needed to communicate with them so that both sides clearly understand exactly what they expect from cooperation. (Vašítková, 2014)

PROCESSES

To maintain customers, businesses need to have properly mapped and optimized processes. The customer will find it hard to return if the service process takes too long or contains a lot of errors. It is necessary to involve the customer throughout the entire process and keep him informed about the current state of the service. If at any stage the customers do not know what to do, they need to get quick feedback and assistance from the service provider. (Vašítková, 2014)

2.3.1.8 Risk assessment

Firstly it is necessary to identify the risks, to assess them and to determine any measures that need to be taken to reduce or eliminate them. Business itself is a risk in its own way – however, it is necessary to keep all risks under control and monitor them continuously. Risks may arise from both internal and external environments. The most important risk factors include competition, environment variability, entrepreneur's and his employees' competence, weaknesses in marketing communication, production processes, etc. (Koráb, Peterka, Režňáková, 2007)

2.3.1.9 Financial plan

The financial plan converts all previous sections of the business plan into numerical form. It determines the capital requirements of the investment, as well as the

economic feasibility of implementing the business plan as a whole. Its task is to create a realistic assumption of incomes and expenditures based on previous analysis. In addition, the area of costs and revenues has to be taken into account. The financial plan includes a cash flow plan, a balance sheet plan and a planned profit and loss statement. The planning horizon should be at least three years. However, some literature states that the planning horizon should be at least until the company generates profit. The financial plan also includes indicators of profitability, activity, debt, and breakeven point calculation. (Srpková, 2011)

2.3.1.9.1 Balance sheet

Balance sheet structure and content according to the Vietnamese law is slightly different from the Czech one. However its purpose remains the same – to provide the overview of company’s assets and sources of funding at a particular date. The structure of the balance sheet is shown in Table 1 – the assets of the company are shown on the left. On the right, you see the capital of the company, which is called equity. The balance sheet clearly shows the assets of the Company, its liquidity, its indebtedness, the financial situation and the sources of its financing. (Circular 200/2014/TT-BTC, 2014)

Table 1: Balance sheet structure. (Source: own processing based on Circular 200/2014/TT-BTC, 2014)

ASSETS	EQUITY
SHORT-TERM ASSETS	LIABILITIES
I. Cash and cash equivalents	I. Short-term debt
II. Short-term financial investments	II. Long-term liabilities
III. Short-term receivables	
IV. Inventories	
V. Other short-term assets	
LONG-TERM ASSETS	OWNER’S EQUITY
I. Long-term receivables	I. Owner’s equity
II. Fixed assets	II. Funding and other funds
III. Investment real property	
IV. Long-term unfinished assets	
V. Long-term financial investments	
VI. Other long-term assets	
TOTAL ASSETS	TOTAL CAPITAL

2.3.1.9.2 Income statement

The income statement (similar to the profit and loss statement in Czech Republic), as well as the balance sheet, relates to a particular day and provides an overview of the costs, revenues and profits or losses of the company over the reporting

period. It is a mandatory part of the financial statements submitted to the Ministry of Finance Vietnam office. Revenues are all sales or margins earned by the company for the provision of services or the sale of products, regardless of the period in which they were actually paid. Costs are all funds spent to earn revenue, regardless of their payment status. (Circular 200/2014/TT-BTC, 2014)

The structure of the income statement in Vietnam consists of operating, financial and extraordinary expenses, income and profit or loss. Operating profit or loss is the difference between revenues and expenses for the period, i.e. difference between revenues from the sale of goods and services and the costs related to reaching them. The financial result is the difference between the income and expenses of the company's financial activities (mainly interest income). The sum of operating and financial results is the subject of taxation – by deducting the tax – net income for ordinary activities of the company is obtained. When we attribute the extraordinary result, we obtain the profit for the accounting period. (Circular 200/2014/TT-BTC, 2014)

2.3.1.9.3 Cash flow statement

A cash flow statement is an overview of the financial performance of the company over a period of time – unlike the balance sheet and the income statement, this statement does not count for the entity's accounting result. Cash flow is an overview of the growth or decrease of cash and cash equivalents. Traced funds are money at the cash desk, bank accounts, and valuables. The cash equivalent is then considered a highly liquid item of short-term financial assets (e.g. shares). (Circular 200/2014/TT-BTC, 2014)

Some costs are not expenses at the same time – a well-known example is depreciation, which is reflected in the bookkeeping itself, even though the investment for the property was spent on a one-off basis. Cash flow is designed to provide companies with a detailed overview of their real cash flows. (Circular 200/2014/TT-BTC, 2014)

2.3.1.9.4 Statements meaning

All three statements mentioned above – balance sheet, income and cash flow statement together with the additional notes (if needed) forms the financial statement submitted every year to the Vietnamese Ministry of Finance office. Not only they serve

as the official documentation needed to be submitted to the government but also provides the quick high level overview of the business. (Circular 200/2014/TT-BTC, 2014)

2.3.1.9.5 Financial indicators

These are indicators that allow measuring the return on capital. Their basic principle is to measure profits with embedded resources. Below are the most significant financial indicators (ROE, ROA and ROI). (Fotr, Souček, 2005)

ROE, or return on equity is the ratio of the profit after tax (some literature indicates the pre-tax profit) to the own capital injected, see the Formula 1 below:

Formula 1: Return on equity. (Source: Fotr, Souček, 2005)

$$\text{ROE} = \frac{\text{net income}}{\text{stakeholders' equity}}$$

ROA, or return on assets, which is the share of net income (the sum of gross profits and interest) to total invested capital, see the Formula 2 below:

Formula 2: Return on assets. (Source: Fotr, Souček, 2005)

$$\text{ROA} = \frac{\text{net income}}{\text{total assets}}$$

ROI, or the return on investment, which is similar to ROA, with the difference of the denominator, where the ROI is not total capital but only long-term invested capital, see Formula 3 below:

Formula 3: Return on investment. (Source: Fotr, Souček, 2005)

$$\text{ROI} = \frac{\text{net profit}}{\text{long term invested capital}}$$

2.3.1.9.6 Net present value

Net present value is defined as the difference between the current value of all future incomes and expenditures of the project. This is a discounted cash flow, taking into account all components throughout the project. Discounting is the transfer of future financial flows to the present value using the discount rate. Determination of the discount rate is mostly based on the return on the alternative investment (the required

return on the investor). If the net present value is positive, it is appropriate to realize this investment, if it is negative, the investor should put the funds into the alternative investment. (Fotr, Souček, 2005)

2.3.1.9.7 Breakeven point

The breakeven point is the value of a specific factor that affects the company's financial results, in which the company reaches border values of economic criteria. In most cases, this criterion is a profit, and the breakeven point in this case corresponds to a situation where the company's returns are equal to its costs - i.e. the gain is zero. (Fotr, Souček, 2005)

3 ANALYTICAL PART

The analytical part of this diploma thesis begins with the analysis of external environment of the establishing language school using SLEPT analysis tool. This part is followed by the market analysis which mainly focuses on market trends, market potential and definition of target segment. Competitive environment is described using the Porter's Five Forces model which is followed by the resource analysis that shows the requirements on the establishing company with relevant sorting and allocation. Next chapter contains McKinsey 7S Framework describing the conception of the business internal factors. All of the analyses above are summarized using the SWOT analysis which serves as a base for the further business plan creation.

3.1 SLEPT analysis

This chapter contains the external business environment using SLEPT analysis which describes social, legal, economic, political, technological and environmental factors influencing the establishing company.

3.1.1 SOCIAL

Main target customers of the establishing language school will be mainly higher income citizens of Ho Chi Minh City – especially District 2 inhabitants. Besides that – the language courses will be offered online which means that social analysis should be made on the nationwide scale for the whole Vietnam as the Internet and especially smartphone penetration is steadily increasing in the whole country – more details are mentioned in the technological factors.

3.1.1.1 Age and gender structure of Vietnam

In the Table 2: Age and gender structure of Vietnam. (Source: own processing based on Vietnam Demographics Profile 2018, 2018) there is clearly visible that the population of Vietnam has really young population with the balanced ratio of men and women which is a positive factor for the language education – as younger people tend to be willing to learn languages in order to get better paid jobs, travel and have a better standard of life for them and their families. In addition this age group will be the main economically active workforce for the following years and decades which ensures that

they will have enough money to invest into their education. There is only a little share of retired citizens.

Table 2: Age and gender structure of Vietnam. (Source: own processing based on Vietnam Demographics Profile 2018, 2018)

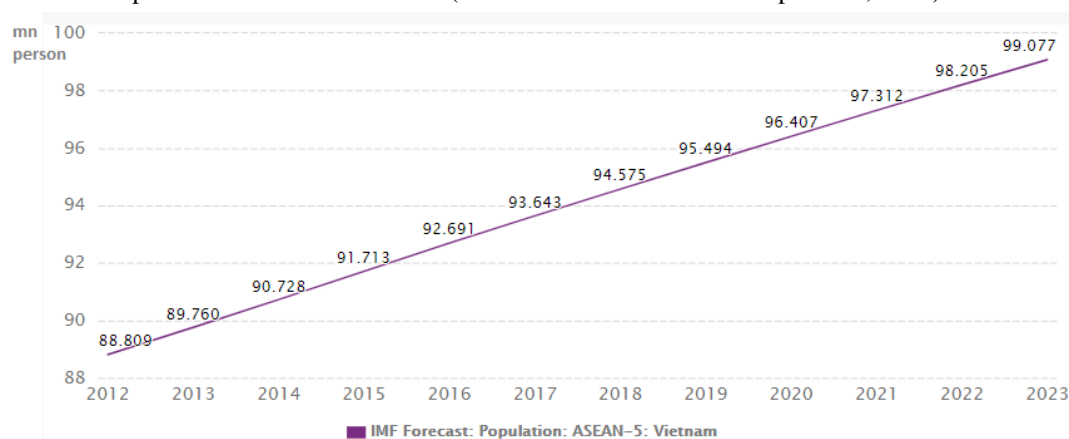
Age group	Percentage	Male/female numbers
0-14	23.55%	male 11,909,326 / female 10,735,324
15-24	16.23%	male 8,098,019 / female 7,509,021
25-54	45.56%	male 22,087,095 / female 21,719,615
55-64	8.55%	male 3,798,928 / female 4,419,837
65+	6.12%	male 2,281,923 / female 3,601,075

3.1.1.2 Population forecast

In the Chart 1: Population forecast in Vietnam. (Source: Vietnam Forecast: Population, 2019) there is clearly visible trend of continuous population growth in Vietnam together with the forecasted trend continuity in the future years. The study was concluded by the CEIC Data which focuses on countries' key indicators data collection, analyzing and forecasting future trends of the figures development based on collected data analysis. The fact that the population is continuously growing is clearly positive fact for any establishing company as it represents the growth of market potential.

Population of Ho Chi Minh City is currently around 8.5 million people according to the CEIC Data which is approximately 9 % of the whole Vietnam's population.

Chart 1: Population forecast in Vietnam. (Source: Vietnam Forecast: Population, 2019)



Critical evaluation:

Social factors are clearly positive for the establishing company as they show the continuous market size growth together with the suitable age and gender distribution.

- + continuous market size growth
- + age and gender distribution within the country

3.1.2 LEGAL

Legal factors will be a significant part influencing the future business activities of the company. Legislation in Vietnam is very different compared to the Czech legislation – however there are some common pillars. Key legislative documents influencing the business are:

- Law of Enterprises (No. 13-1999-QH10),
- Law of Securities (No. 70/2006/QH1100),
- Law on Investment (No. 59-2005-QH11),
- Circular on guidelines for accounting policies for enterprises (200/2014/TT-BTC) issued by Ministry of Finance Vietnam.

Second paragraph of Article 10 from Enterprise Law allows foreigners to run the business in Vietnam legally and specifies the rights of capital contribution.

The process of enterprise establishment and registration is clearly described within the Article 12 of Enterprise Law which makes it easier for foreigners to orientate clearly within the requirements.

Articles 13 to 16 of Law No. 13-1999-QH10 clearly describes the duties of informing the government about key points of the company – such as the identification of founders/investors and their shares' distribution, business activities, amount of capital, address, org chart, etc.

Legal forms of companies enabling the capital participation in Vietnam are described into more details within chapter 2.1.1 Business entities in Vietnam which shows multiple options of legal form.

Critical evaluation:

Law in Vietnam is clearly defined and well-structured similarly to the Czech legal system as it has origins in French commercial law system and is open for the foreign capital participation in business.

- + clear law definition, structure and interpretation
- + openness for the foreign capital participation in business

3.1.3 ECONOMIC

Economic factors are one of the most important as they support the company decisions of entering the market from the financial point of view. In this chapter – following economic factors are described: GDP development, GDP within the education and training industry, unemployment rate development and average monthly earning in Vietnam and in Ho Chi Minh City.

3.1.3.1 GDP growth development in Vietnam

In the Chart 2: GDP growth development in Vietnam. (Source: Vietnam Nominal GDP Growth, 2019) there is visible that GDP in Vietnam is growing continuously – its huge growth in year 2008 was significantly reduced in year 2009 as the global economical crisis took place – the economy started to recover – however in year 2011 when it reached its peak its growth started to slowing down up to year 2015 when it started recovering and is growing again up to now which is positive fact. As Vietnam is a communist and developing country – the crisis from USA and Europe tend to affect its economy only slightly which is good for business.

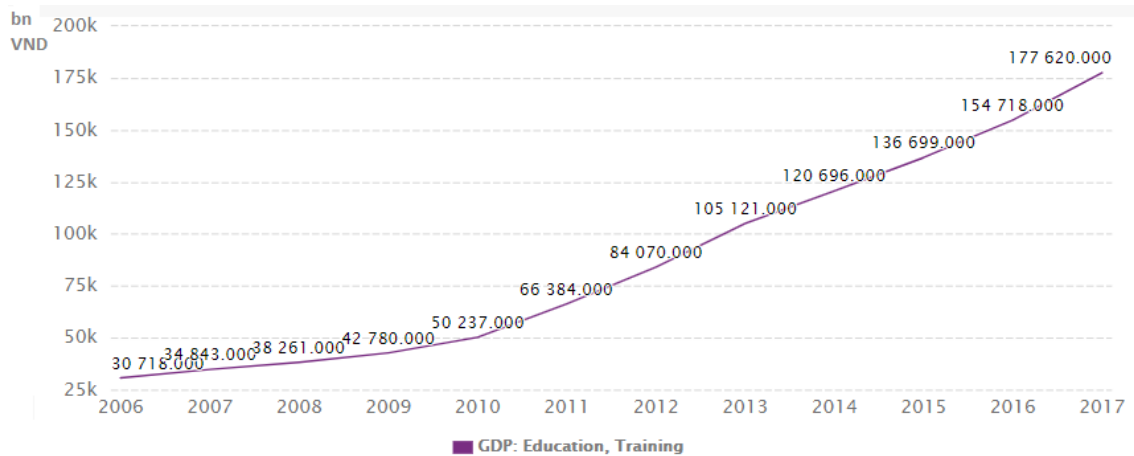
Chart 2: GDP growth development in Vietnam. (Source: Vietnam Nominal GDP Growth, 2019)



3.1.3.2 GDP development within the education and training industry

In the Chart 3: GDP development within the education and training industry. (Source: Vietnam GDP: Education, Training, 2019) there is visible clearly positive continuously growing trend of people spending for their education. Vietnam is the country which is investing 5.8 % of its GDP into the education which is one of the highest figures in the world (in comparison United Kingdom is investing 5.6 %, USA 4.9 %).

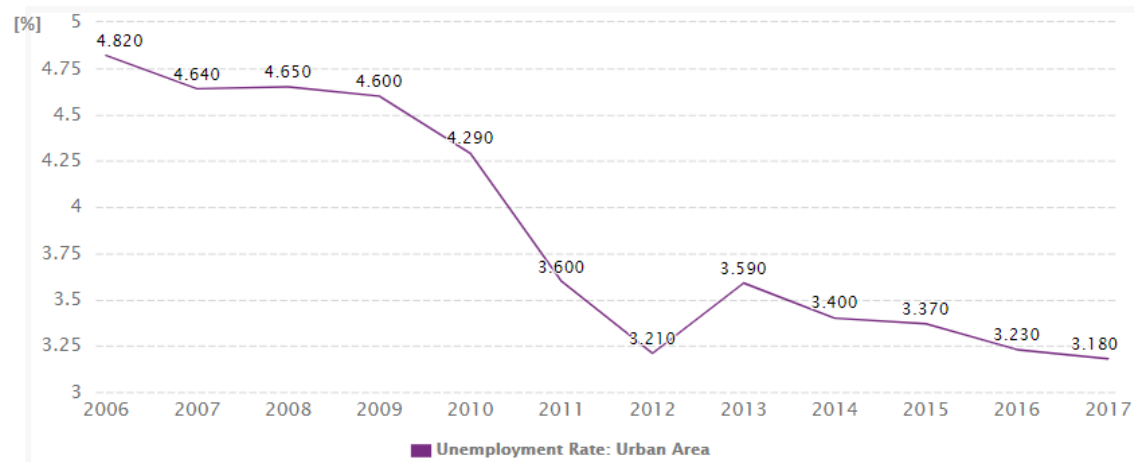
Chart 3: GDP development within the education and training industry. (Source: Vietnam GDP: Education, Training, 2019)



3.1.3.3 Unemployment rate development in Vietnam

In the Chart 4: Unemployment rate development in Vietnam. (Source: Vietnam Unemployment Rate, 2019) there is clearly visible trend of continuous decreasing of unemployment rate which is currently one of the lowest rate within the Asia.

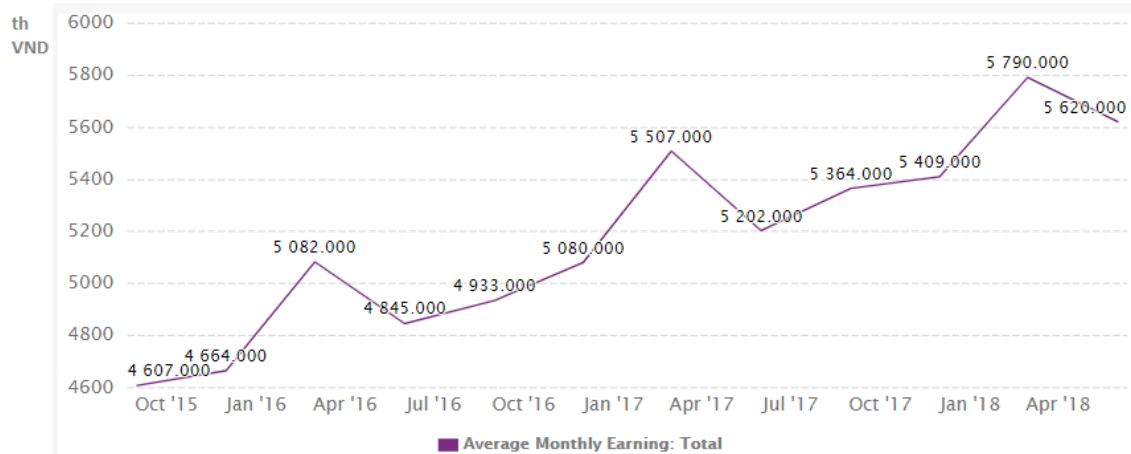
Chart 4: Unemployment rate development in Vietnam. (Source: Vietnam Unemployment Rate, 2019)



3.1.3.4 Average monthly earning in Vietnam

In the Chart 5: Average monthly earning in Vietnam. (Source: Vietnam Average Monthly Earning: Total, 2019) there is clearly visible that the average salary in Vietnam is fluctuating around the continuous growth trend which shows the stable economy growth and is showing the increasing affordability of more goods and services for all people.

Chart 5: Average monthly earning in Vietnam. (Source: Vietnam Average Monthly Earning: Total, 2019)



In comparison – Ho Chi Minh City is continuously reaching the highest average salary in Vietnam which is currently at US\$ 456 (VND 10.37 million) per month – significantly higher than the national average. Professionals can earn around US\$ 701 to US\$ 1,000 monthly and management-level positions an average monthly salary of US\$ 1,000 to US\$ 2,000. (Vietnam: HCM City Leads the Average Salary Rankings, 2018)

3.1.3.5 Taxation

Corporate tax in Vietnam reached 35 % in the past – however nowadays it is stabilized from year 2016 up to now on **20 %** only – similar to the Czech Republic. VAT is set on the **10%** level – significantly lower than the Czech (Trading Economics, 2019)

Critical evaluation:

Economic factors are very positive for the establishing company as all of the figures are having positive development trend. GDP is continuously growing significantly as Vietnam is still a developing country, unemployment is decreasing and spending for education is increasing as well as average salary.

- + continuous GDP growth and decreasing unemployment rate
- + high growing education spending
- + increasing average salary nationwide
- + high average salaries in HCMC
- + acceptable corporate tax rate and VAT
- low current average salary

3.1.4 POLITICAL

Key political factor of Vietnam is that the country is controlled by the communist party which is the only one allowed to make decisions. The way of rule is really heading towards capitalism as the foreign capital is accepted and not limited as strictly as in other communist countries such as China. Openness for foreign capital is clearly visible in the chapters 2.1 Vietnamese legislation overview, 2.1.1 Business entities in Vietnam and 3.1.2 LEGAL. Political situation in the country is stable in a long-term as reigm doesn't allow acting against the reigm but doesn't supress the people so much that they would be highly unsatisfied with the government.

There are still some risks of compensated confiscation of properties or businesses – in general it means that state can confiscate anyone's property in return of the adequate compensation. This is happening only barely and anyone doing business in compliance with a law shouldn't be affraid of any of such actions from the government's side.

For the bigger companies there is a huge buerocracy from the side of state – main reason is that government wants to have control over all significant industries' market leaders. From the small businesses point of view there is no significant buerocracy compared to the European countries – the law is clearly defined and every business acting in compliance with it doesn't have to worry about any punishments from government.

Critical evaluation:

- + stable government and laws
- + acceptable buerocracy for the small businesses
- risk of compensated confiscation

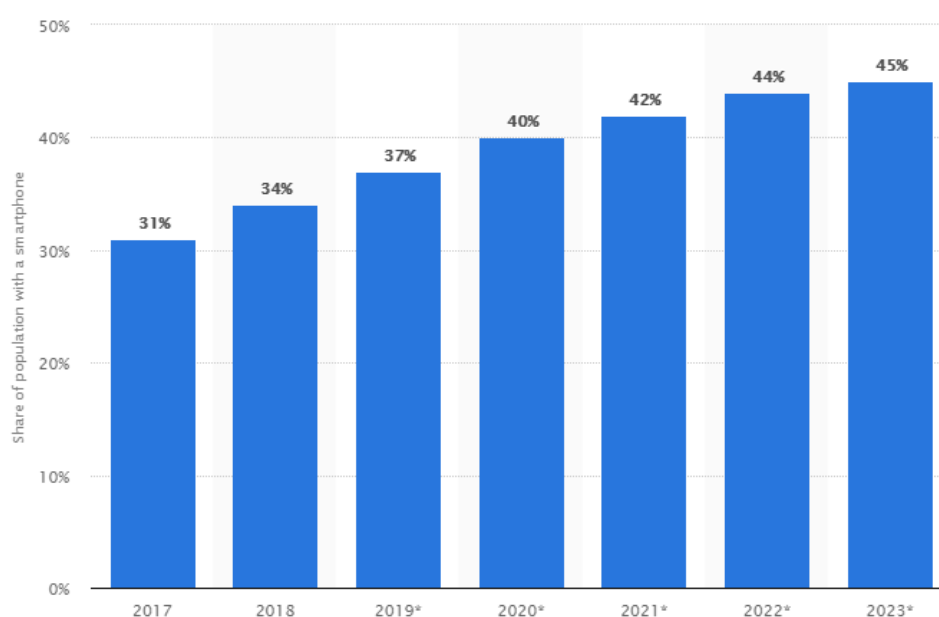
3.1.5 TECHNOLOGICAL

As establishing business will teach the languages in face to face classes as well as using e-learning for the nationwide students – technological area has the significant impact on its activities. In Chart 6: Smartphone user penetration in Vietnam. (Source: Smartphone penetration rate as share of the population in Vietnam from 2017 to 2023, 2019) there is clearly visible positive trend of smartphone users penetration.

Considering the average salary nationwide – the penetration is very good. Main factor is that it is constantly growing and providing new market potential every single year.

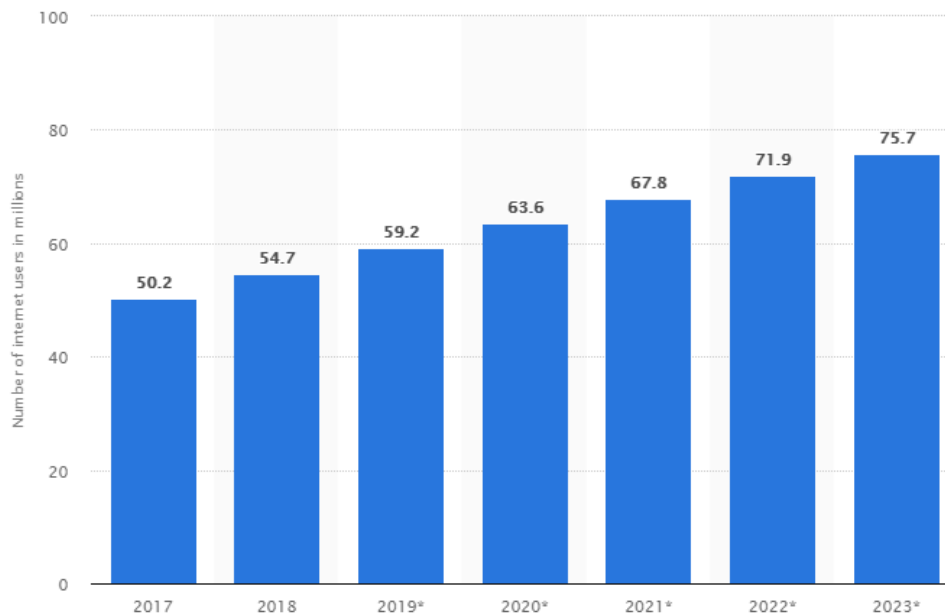
The chart also contains the expected development forecast in the future. Slowing pace of growth is considered mainly due to the fact that majority of smartphone users are currently in the high-income big cities which are having the smartphone penetration on 84 % and are expected to reach almost 100% penetration soon. Rural areas are growing in the smartphone usage slower mainly due to the income and lack of infrastructure in the poorest areas.

Chart 6: Smartphone user penetration in Vietnam. (Source: Smartphone penetration rate as share of the population in Vietnam from 2017 to 2023, 2019)



In the Chart 7: Internet users in Vietnam. (Source: Number of internet users in Vietnam from 2017 to 2023, 2019) the increasing trend of Internet usage amongst population is clearly visible. Most of the Internet users are accessing it using their smartphones which is the specific trend for the whole Asia. In addition the forecast is added – it shows even more positive figures than the smartphone penetration forecasted development. Together – these factors are very positive for the company willing to join the e-learning sector as it offers a huge market potential.

Chart 7: Internet users in Vietnam. (Source: Number of internet users in Vietnam from 2017 to 2023, 2019)



Critical evaluation:

Technological factors clearly show the future potential for the online business environment. Both Internet and smartphone penetration and usage are constantly increasing and are forecasted to increase in the future as well.

- + constantly increasing Internet users number
- + constantly increasing smartphone penetration
- + high big cities smartphone penetration

3.2 Market analysis

This chapter contains market trends introduction, market potential analysis and target segment definition. It serves as one of the key elements for the business plan creation.

3.2.1 Market trends

Current market trends in Vietnam are copying the educational trends coming to European countries approximately five to ten years ago. As internet and smartphone usage is constantly increasing and economy is growing – it is a logical step towards the further education development. This development is highly supported by government's and citizens' investing into the education as it is perceived as a key pillar of their life.

3.2.1.1 E-learning

As mentioned in chapter 3.1.5 TECHNOLOGICAL, the internet and smartphone penetration in Vietnam is really big and is increasing continuously every year. These facts help to reach customers nationwide with minimum costs effort of companies.

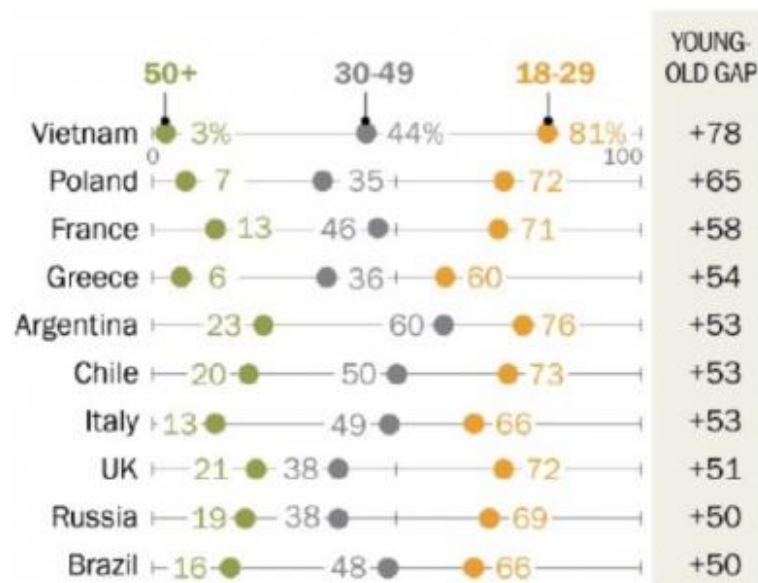
Currently there are many companies offering e-learning language courses. Their detailed analysis including pricing is contained in the chapter 3.3.3 Competitive Rivalry.

3.2.1.2 Social networks

In the whole Asia - Vietnam is no exemption – most of the sales is done via social networks or other mobile APPs. Majority of people is accessing the Internet via their smartphones.

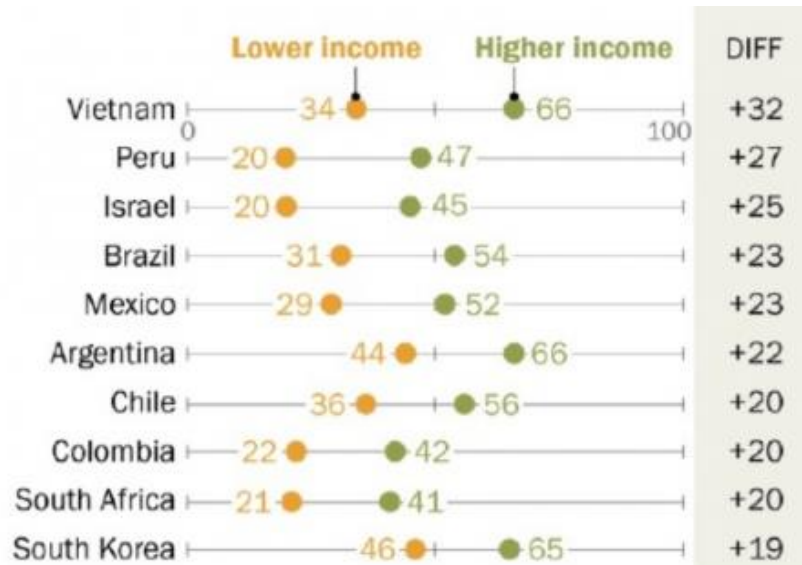
Around 57 million Vietnamese are using social media. 94 % of them access the Internet every day and 71 % of them watch videos on a daily basis. 81 % of Vietnamese between the ages of 18 and 29 get their daily news from the Internet. In the Chart 8: Social media usage by age group in Vietnam. (Source: there is the comparison of social media usage across the age groups. In conclusion – Vietnam is the country with the highest gap between youngest and oldest age group. This is given by two main factors – oldest age group social media usage is the lowest amongst analyzed countries and the youngest age group usage is the highest.

Chart 8: Social media usage by age group in Vietnam. (Source: How the Vietnamese use the internet including social media, 2019)



In the Chart 9: Social media usage by income group in Vietnam. (Source: there is clearly visible social media usage difference between higher and lower income group. This trend is quite opposite of what is usual in the Europe or the USA where these ratios are rather opposite.

Chart 9: Social media usage by income group in Vietnam. (Source: How the Vietnamese use the internet including social media, 2019)



Critical evaluation:

Combination of the trends mentioned above is clearly positive for the establishing company as it helps to promote the product in a cheap way using social media together with a possibility of providing service online to the mass group nationwide thanks to the social media presence of target customers’ group – younger higher-income Vietnamese citizens.

+ high repeated social media usage by the young and high income people

+ repeated social media usage

3.2.2 Market potential analysis

This chapter contains market potential analysis including the current and potential customers’ analysis together with the target segment definition.

According to the chapter 3.1.3.2 GDP development within the education and training industry – Vietnamese people are investing 177 620 bn VND (approximately 7.64 bn USD) yearly for their education and this number is increasing every year. By

dividing this amount by number of citizens – yearly spending on education is 1.87 million VND (approximately 80 USD) per person. Considering the low-income citizens don't invest so much into the education – this number will be much higher by the targeted higher income customers in cities.

Market potential chapter is divided into two parts – analysing current students of one of the business founders who is already teaching languages in Ho Chi Minh City and potential customers using the surveys conducted personally together with quick interviews.

3.2.2.1 Current customers

As mentioned above – one of the business founders is currently teaching English in Ho Chi Minh City – more specifically District 2, Thao Dien – one of the richest areas of the whole Vietnam. Thanks to this fact combined with the fact of having the IELTS certificate with the score 8.5 out of 9 (between Very good user and Expert user scoring – on the level of native speaker) she is able to charge higher fees than anywhere else in Vietnam.

Currently she is teaching 33 students in 18 courses per week divided into 5 bigger (5 students) and 2 smaller (4 students) groups – three groups having lesson twice a week and four groups having lesson three times a week. Smaller group students are charged 200 000 VND (approximately 8.5 USD) and bigger group students 150 000 VND (approximately 6.5 USD) per lesson.

Table 3: Current customers analysis. (Source: own processing)

frequency	number of groups	students per group	lessons monthly	fee/lesson [th VND]	total fee [M VND]
2 times a week	3	5	120	150	18
3 times a week	2	5	120	150	18
	2	4	96	200	19.2
TOTAL	7	-	336	-	55.2

In addition to current 33 students – she is having demand from another 40 people but she keeps rejecting them as she currently doesn't want to teach more students by herself. These students have no problem with paying 200 – 250 thousand VND per lesson.

3.2.2.2 Potential customers

To find out the demand from potential customers – questionnaire research was conducted in the following places:

- City area:
 - o District 1, Thao Dien, Ho Chi Minh City
 - o District 2, Ho Chi Minh City
 - o District 7, Ho Chi Minh City
- Suburb area:
 - o Binh Tan District, Ho Chi Minh City
- Rural area:
 - o Vung Tau

District 1, 2 and 7 were chosen for the finding out potential customers' needs for the „offline“ classes as these districts are next to each other and reachable within few minutes – as the classroom will be placed in the District 2, Thao Dien due to the current students of one of the founders, people demanding the lectures and both founders are all located in this ward.

Main focus was aimed on the younger appealing Vietnamese people but also older ones were asked – they weren't so talkative though. Questionnaires (Attachment 1: Potential customer questionnaire. (Source: own processing)) filling-in was done by both founders at the same moment by approaching random people, asking them for two minutes of their time in English and those who haven't understood English were told in Vietnamese if they have ever wished to learn English. Most of people responded „yes“ on this question.

Totally 400 face to face questionnaires filling-in was done – split to two groups:

- 1st group: 200 potential customers for „offline“ classes
 - o 50 in District 1, Ho Chi Minh City
 - o 100 in District 2, Thao Dien, Ho Chi Minh City
 - o 50 in District 7, Ho Chi Minh City
- 2nd group: 200 potential customers for online classes
 - o 100 in Vung Tau
 - o 100 in Binh Tan District, Ho Chi Minh City

Table 4: Survey results - English speaking potential customers. (Source: own processing) represents the amount of customers who were able to finish the whole questionnaire interview in English – even the very low level of English was considered as successful for conducting the whole interview in English to motivate people to speak in a foreign language and potentially get them interested into the topic. From the results it is clearly visible that more people from the city speak English than in suburb and rural areas – suburb is slightly better than rural though. Specific case is District 2, which is one of the richest areas of the whole Vietnam and majority of people there are working in English speaking company.

Table 4: Survey results - English speaking potential customers. (Source: own processing)

Speaking English:	YES	NO	Grand Total
City			
District 1, HCMC	16	34	50
District 2, HCMC	61	39	100
District 7, HCMC	19	31	50
Suburb			
Binh Tan District, HCMC	23	77	100
Rural			
Vung Tau	17	83	100
Grand Total	136	264	400

Table 5: Survey results - obstacles why not studying English. (Source: own processing) shows main reason why interviewed people haven't started learning the language or what limits them by studying. Main identified groups by people were money, motivation and time. In the options there was also option others but no one had actually any obstacle which wouldn't fit into one of the three mentioned groups.

Table 5: Survey results - obstacles why not studying English. (Source: own processing)

Obstacles of studying EN:	Money	Motivation	Time	Grand Total
City				
District 1, HCMC	9	18	23	50
District 2, HCMC	8	36	56	100
District 7, HCMC	13	19	18	50
Suburb				
Binh Tan District, HCMC	47	28	25	100
Rural				
Vung Tau	53	30	17	100
Grand Total	130	131	139	400

From the table 5 it is clearly visible that for inhabitants of city – motivation and time are the main reasons – this is a great opportunity for offline classes as one of their main purpose is to motivate people to study and teach them time efficiently. On the other hand rural and suburb area are mainly concerned about the price of the studying which is ideal target segment for e-learning which is cheaper.

Table 6: Survey results - preferred English learning channel. (Source: own processing) represents the preferences of learning channel. Majority of city inhabitants was interested in offline classes as they find them more efficient and has no problem to pay more money for high quality education. Majority of suburb and rural inhabitants prefer online classes – mainly due to the price and convenience as it is harder for them to commute to bigger city to attend classes.

Table 6: Survey results - preferred English learning channel. (Source: own processing)

Preferred learning channel:	Offline	Online	Grand Total
City			
District 1, HCMC	24	26	50
District 2, HCMC	64	36	100
District 7, HCMC	47	3	50
Suburb			
Binh Tan District, HCMC	27	73	100
Rural			
Vung Tau	14	86	100
Grand Total	176	224	400

Table 7: Survey results - reasons for studying English. (Source: own processing) shows that majority of people in the city study English because of career – for those – special business English courses will be offered. Suburb and rural areas have the balanced distribution of the reasons for studying – suburb is more focused on travelling.

Table 7: Survey results - reasons for studying English. (Source: own processing)

Reason for studying EN:	Career	Friends	Travelling	Grand Total
City				
District 1, HCMC	31	8	11	50
District 2, HCMC	60	11	29	100
District 7, HCMC	30	12	8	50
Suburb				
Binh Tan District, HCMC	28	24	48	100
Rural				
Vung Tau	31	38	31	100
Grand Total	180	93	127	400

Table 8: Survey results - potential customers age groups. (Source: own processing) shows the distribution of age groups of respondents. People who were willing to make the interview questionnaire and were interested in the language learning topic were mainly younger age groups. This fact is great for the business as these people are in their productive age and have enough money to afford the courses. In addition younger people are used to the smartphones and Internet usage which is significant factor for e-learning courses.

Table 8: Survey results - potential customers age groups. (Source: own processing)

Age group:	18-25	26-30	31-35	36+	Grand Total
City					
District 1, HCMC	17	23	6	4	50
District 2, HCMC	56	15	23	6	100
District 7, HCMC	32	11	5	2	50
Suburb					
Binh Tan District, HCMC	62	29	6	3	100
Rural					
Vung Tau	35	56	5	4	100
Grand Total	202	134	45	19	400

Table 9: Survey results - preferred number of lessons per week. (Source: own processing) illustrates the optimal number of lessons. It is clearly visible that one lesson a week is perceived as not enough – only 9 % of people considered it as enough. Most optimal way for people from cities is having 2 lessons per week. By inhabitants of suburb and rural it is almost balanced between 2 lessons per week or 3 and more lessons a week which is actually optimal for the e-learning classes as they don't have to commute to take a class. These results are especially valuable as it helps the scheduling a calendar of courses – mainly the offline ones which are aimed on city inhabitants mainly.

Table 9: Survey results - preferred number of lessons per week. (Source: own processing)

Number of lessons per week:	1	2	3+	Grand Total
City				
District 1, HCMC	5	42	3	50
District 2, HCMC	8	66	26	100
District 7, HCMC	5	45		50
Suburb				
Binh Tan District, HCMC	9	57	34	100
Rural				
Vung Tau	9	52	39	100
Grand Total	36	262	102	400

Table 10: Survey results - price willing to pay per English lesson. (Source: own processing) represents the optimal price in thousand VND per English lesson according to the respondents. It is clearly visible that suburb and rural areas are willing to pay rather less – the main reason is that majority of these respondents imagined the online classes which tend to be cheaper than the offline ones – this correlation is further explained in the Table 12: Survey results - correlation between price and learning channel. (Source: own processing). For the offline classes for city inhabitants it is adequate to set the price between 150 000 VND and 250 000 VND.

Table 10: Survey results - price willing to pay per English lesson. (Source: own processing)

Price per lesson [th VND]:	100	150	200	250	300	Grand Total
City						
District 1, HCMC	2	15	22	10	1	50
District 2, HCMC	4	30	37	28	1	100
District 7, HCMC	2	24	13	11		50
Suburb						
Binh Tan District, HCMC	12	53	20	15		100
Rural						
Vung Tau	19	54	22	5		100
Grand Total	39	176	114	69	2	400

Table 11: Survey results - number of potential customers willing to be contacted with offer. (Source: own processing) shows very positive number of people who left their contact to stay in touch and get information when the language school will be offering the services.

Table 11: Survey results - number of potential customers willing to be contacted with offer. (Source: own processing)

Want to be contacted:	YES	NO	Grand Total
City			
District 1, HCMC	40	10	50
District 2, HCMC	92	8	100
District 7, HCMC	45	5	50
Suburb			
Binh Tan District, HCMC	92	8	100
Rural			
Vung Tau	89	11	100
Grand Total	358	42	400

Table 12: Survey results - correlation between price and learning channel. (Source: own processing) clearly shows that respondents living in city prefer offline learning and are willing to pay for it higher amounts of money than people living in suburb and rural areas who prefer online learning and are willing to pay less – ideal price per online class seems to be 100 000 – 200 000 VND for most of the respondents compared to 150 000 – 250 000 VND per lesson by offline channels mainly for people living in city.

Table 12: Survey results - correlation between price and learning channel. (Source: own processing)

Preferred Channel Price/lesson [th VND]	City			Suburb	Rural	Grand Total
	District 1, HCMC	District 2, HCMC	District 7, HCMC	Binh Tan District, HCMC	Vung Tau	
Offline	24	64	47	27	14	176
100	1			1	3	5
150	4	23	23	19	8	77
200	12	22	13	5	2	54
250	6	18	11	2	1	38
300	1	1				2
Online	26	36	3	73	86	224
100	1	4	2	11	16	34
150	11	7	1	34	46	99
200	10	15		15	20	60
250	4	10		13	4	31
Grand Total	50	100	50	100	100	400

3.2.3 Target segment

Target segment consists of two main target group. First group consists of high-income inhabitants of Ho Chi Minh City, District1, District 7 and District 2, Thao Dien where the seat of the company will be placed. These students will be visiting „offline“ classes in the seat of the company.

Second group consists of middle-income young citizens nationwide who are having internet access and smartphone and will be attending classes using e-learning via web browser or mobile APP within Google Classroom.

Critical evaluation:

Market trends confirmed the opportunity of learning languages online using the modern technology as Vietnam is one of the most suitable countries for this thanks to

the smartphone and Internet penetration together with the combination of usage of social media by younger higher income people. Current customers' analysis shows the huge potential for further business expansion but also shows the requirements for expanding the classrooms and hiring new teachers in order to manage all students' requests. Potential customers' research shows clear suitability of offline courses for students from the city center and the online courses for the younger students nationwide mainly promoted via social media and taught using Google Classroom.

- + high spending for education
- + stable current customer base
- + organic demand for services
- + people interested in English education
- + people willing to pay adequate price for language education

3.3 Porter's Five Forces

This chapter contains analysis of competitive environment of the company. Main analyzed factors are threat of new entry and substitution which are quite high for language school, competitive rivalry which is huge especially in the Ho Chi Minh City, buyer and supplier power.

3.3.1 Threat of New Entry

Threat of new entry into the language education industry is very high as there are lots of private lecturers teaching languages. However these private lecturers can't be considered as direct competition for language centers as their pricing is different.

One of the barriers for entering the language education market can be the requirement of certification as in Vietnam it is common that people don't believe someone who doesn't have any certificate or diploma in the given field which clearly proves the knowledge.

Main certificates required from teachers by language schools are following:

- TEFL - Teaching English as a Foreign Language
- TESOL - Teachers of English to Speakers of Other Languages
- CELTA - Certificate in English Language Teaching to Adults

Certifications above are more about the teaching techniques rather than the knowledge of language. One of the most famous English knowledge certificates is the IELTS. Its comparison with the standardized European language level frame is in the Table 13: European English level and IELTS score comparison. (Source: own processing). One of the business founders has currently IELTS score 8.5 which is equivalent to the C2 – native speaker level and want to retake the exam to get the score of 9.0. All hired teachers to the company will be required to have IELTS score of 8.5 to provide the best possible service to the students.

Table 13: European English level and IELTS score comparison. (Source: own processing)

European language level	A2	B1	B2	C1	C2
IELTS score	2,5 - 3,5	4,0 - 5,0	5,5 - 6,5	7,0 - 8,0	8,5 - 9,0

Critical evaluation:

To ensure the high quality and preventing the threat of newly entering competitors of provided education – company standard will be to have only teachers with IELTS level 8.5 or above which is highly appreciated by students and is clearly visible by high demand for one of the founder’s services.

- + preventing threat of new competitors by providing the best possible quality
- low barriers to market entry by new subjects
- private lecturers low pricing

3.3.2 Threat of Substitution

Threat of substitution in the language education is huge. There are online courses divided to the static e-learning without participation of lecturer, quasi active – with the support of lecturer for the limited time and “active” courses which are equivalent of the offline classes and the only difference is that the lecturer and student are not in the one room – but by their computers/smartphones – the education itself is absolutely same as offline courses though – some students perceive it as beneficial as they don’t have to spend their time by commuting.

The only way how to retain customers in language education is provide the high quality service with relevant results – as if competition is offering better price but customer is satisfied with the results of the provided education he has no reason to

switch to the competitor's services as the significantly lower price usually signals significantly lower quality of provided services.

In order to avoid the threat of substitution of offline classes by significantly cheaper online courses – establishing company will provide both offline and online courses to attract both customer segments.

Critical evaluation:

Key elements for avoiding substitution will be long term sustainable high quality education level and providing two different product lines – online and offline courses to attract and retain both key customer segments. There will still be risk of some highly price sensitive customers leaving to the competitors after better price offer – in the long term such clients will return if they really want the quality.

+ high quality retaining customers

- cheap online courses substitution

3.3.3 Competitive Rivalry

As mentioned in previous two chapters – the competition between language schools, teachers and other educational products is really huge together with a high substitution and low barriers of entrance to the market for new companies. Competitors are split into two main groups – based on the target segment:

- Offline lectures high quality language schools,
- Online courses (e-learning).

For the offline lectures group there will be done the analysis of the main competitors – mainly from the price point of view as the quality of the most language schools on market in Ho Chi Minh City center is very high. Regarding the online courses – comparing the price is irrelevant as there are lots of price options but their quality varies highly and can't be objectively measured within the scope of this Thesis – for the pricing of online courses will be used the market research evaluated in the chapter 5.3.2.2.2 Potential customers.

3.3.3.1 Pricing analysis

In this comparison – only competitors who can deliver the IELTS 8.5 or higher are included. These places were visited by founders of the company who took the test

lesson to evaluate the quality of education. Founders also visited two other centers but the quality was not enough to be comparable with the establishing company services.

To compare relevant pricing options – the course for reaching IELTS score 8.5 were chosen by each competitor.

ELC Vietnam is offering only one course for reaching such level and is projected to the highly advanced English users. This course lasts 25 weeks with 2 lessons per week – in total 50 hours and costs 10.8 million VND. In order to reach the highly advanced level – this competitor offers multiple additional courses – however this one is most relevant as it is taught by the best language center teacher.

Apollo English is offering only 12 months long-term course with 3 lessons per week – totally 156 hours for 37.5 million VND taught by native speakers with IELTS 8.5 or higher. This option of course can be cost heavy for lower income customers. After asking the business owner we were informed that there is an option of payment quarterly.

Global Education Center is offering 18 weeks course with 2 lessons per week – totally 36 lessons for 9.45 million VND. It also guarantees teachers with IELTS score 8.5 or higher – though not all of them are native speakers.

Comparison summary is illustrated in the Table 14: Competitors’ pricing comparison. (Source: own processing based on competitor visit). It clearly shows that price is compliant with the market research conducted within the chapter 3.2.2.2 Potential customers and will be used for the pricing strategy within the business plan.

Table 14: Competitors’ pricing comparison. (Source: own processing based on competitor visit)

	ELC Vietnam	Apollo English	Global Education Center
Price per course	10.8M VND	37.5M VND	9.45M VND
Number of weeks	25	52	18
Number of lessons	50	156	36
Price per lesson	216K VND	240K VND	263K VND

Critical evaluation:

Visiting competitors’ lessons showed that not all well-placed and highly priced companies within the city center of Ho Chi Minh City deliver high quality – only three out of five competitors were on the comparable level with the expected quality level of

establishing company. The pricing is consistent with market research and will be used for the pricing strategy within the business plan.

+ consistent pricing within the market on both demand and supply side

- new company on market

3.3.4 Buyer Power

As mentioned in previous chapters – the threat of substitution and potential new entering competitors together with the current competitors is very high in the language education in the Ho Chi Minh City as the barriers for entering the market don't exist for private teachers as they are not required any license or capital. On the other hand – these small freelancers can't reach sustainable business in a long term if they don't provide the high quality services. In addition they have limited capacity for number of students they can teach.

Buyers can easily change the language education provider without any costs – in case that he doesn't have prepaid long-term course. As acquiring the new customer is significantly more expensive than retaining the current one – the best way how to achieve the long term sustainability in the language education business is to provide the best quality on the market with the adequate pricing and be willing to provide the eventual discount for the long term customer in case he wants to leave because of better offer for competitor. The discount should be adequate to sustain the profitable long term value of the customer.

Critical evaluation:

The best way to retain the customer is to provide the highest possible quality and in case of the long term customer consider providing discount if the customer's long term value will remain positive after providing it. Competing clearly by price is not the way for the long term sustainable business.

+ possibility of using quality as retention tool

- demands of customers for discount

3.3.5 Supplier Power

The main suppliers for the business will be the following:

- Google

- Social media agency
- Accounting company
- Classroom and office owner

Google will be providing the G Suite for Education service for e-learning purposes which is free of charge and according to the Google it will remain free of charge forever. This claim can be considered as trustworthy as Google is a huge corporation – if it started charging fees – it would be probably similar pricing as current G-Suite office solution service has – priced around 10 USD per month per user.

Social media agency will be responsible for social media campaigns management to promote the company services, brand awareness and social media presence. Currently there are hundreds of social media agencies within the Ho Chi Minh City and the competition between them is huge. This fact ensures that the prices will remain low and the quality will increase in the long term. Hired social media agency will consist of Vietnamese speaking employees who will reduce the price significantly – there is the risk of the Vietnamese business founder leaving the company – then there would be necessity to hire the company with English speaking employees instead of the cheaper local Vietnamese speaking one.

Accounting company will be responsible for the whole bookkeeping and accounting agenda together with the reporting and communication with the government. This will be the most convenient and safe way to ensure the compliance with the law as one of the founders of the company is not the citizen of Vietnam and has no deep knowledge of local accounting standards. International accounting outsourcing companies are more expensive than the local ones – if the Vietnamese business founder left the company – there would be necessity to hire the international company instead of the cheaper local Vietnamese speaking one.

Classroom and office owner will provide the space for teaching and managing the company. Currently there are lots of offers of free office spaces in District 2 which ensures that the rent will be stable in a long term as new projects are still emerging and supply is significantly higher than demand.

Critical evaluation:

The main risk in suppliers' area comes from the usage of local companies with Vietnamese speaking employees which are cheaper but if the Vietnamese speaking founder of the company left the business there would be the necessity to migrate to the more expensive international providers. There are no significant risks from the side of Google or classroom and office owner.

+ low possibility of rent increase

+ low possibility of Google services price increase

- Vietnamese speaking business founder leave the company resulting in higher price for accounting and social media agency

3.4 Resource Analysis

This chapter analyzes the key company resources – physical, human, financial and intellectual ones.

3.4.1 Physical resources

Main physical resource will be classroom and office which will be rented in the District 2, Thao Dien for 19.8 million VND (approximately 860 USD) per month including energies and VAT (which is 1.8 million VND). The space will consist of two equipped classrooms (with furniture, whiteboard, projector and speakers) with capacity of 15 students each and the small office including the furniture. In the building there are currently available five more classrooms as rooms in this floor served previously as the international corporation's training rooms and comes completely equipped as the company moved its seat to the Hanoi. There is convenient expansion possibility any time.

Other equipment will consist of iPads for teachers who will use them for both offline and online teaching – number of them will be calculated based on the variant of the commercial and financial plan and number of teachers.

3.4.2 Human resources

The most important human resources will consist of founders of business – one of them will be teaching students and train teachers to apply her know-how and teaching techniques from her long career and will bring current students and people

demanding for her courses. Second founder will bring the know-how from business background and will take care of processes, strategies, marketing and operations side of business and invest majority of money needed to start the business.

Teachers will be required to have IELTS score 8.5 or more and they will be interviewed and assessed by both business founders to ensure the best possible quality. As one of the founders already had some teachers hired in the past and still has connections with them – these will be used as the first option during the hiring. Exact number of teachers will be described based on variant within the commercial and financial plan. All of the teachers will be hired as contractors as this will be more beneficial for both parties and is common in Vietnam as teachers tend to work for more language centers usually.

Another people highly affecting the business will be accountant and social media manager who will be outsourced. These two people will be hired based on the relationships of founders – accountant is the ex-colleague of one of the founders and the second founder used to cooperate with the mentioned social media manager in previous job and saw clearly good results compared to the investment.

3.4.3 Financial resources

Main financial resource requirement will be the capital required to establish the Limited liability company in Vietnam by government equal to 10 000 USD. For this reason company capital will be 250 million VND. Mainly it will be used for the rent and promotion in the first months in business. As the company will have an income from the beginning of business thanks to the current student basis and high demand for the services of one founder – capital will mainly serve as a financial backup – detailed description will be evaluated within the financial plan.

Rent costs will be 19.8 million VND, iPads and teachers costs will be dependent on commercial and financial plan variant – details in the following business plan part.

As the capital requirements are decent – all of its financing will be done from the resources of founders in order to avoid the Vietnamese interest rates volatility.

3.4.4 Intellectual resources

Key company resource will be know-how provided by founder who is currently teaching the English in Ho Chi Minh City and her techniques are highly appreciated and

have high demand just from word of mouth without any advertising needed. These techniques will be taught to all teachers and continuously evaluated to ensure that the quality of provided services is sufficient.

Another key intellectual property will be business and marketing strategy covering web, brand and logo which will be done by the second founder with no costs – the only cost will be the domain registration and hosting which will be put into the operational expenses within the budget as the price is really low. Based on these key marketing pillars – advertising will be done mainly on social media using the social media agency with limited budget adequate to the company revenues.

Critical evaluation:

For the establishing language school, the most valuable resources will definitely be the people – not only the business founders but also the hired teachers and outsourced accountant and social media manager even though they will not be directly employed within the company. Next to the human resources – know-how is the key element of the future success of the business. Regarding the financial and physical resources – they can be considered as not so crucial as the required resources are pretty low value ones as the business seat will be only rented instead of bought.

- + know-how
- + highly educated teachers
- + low capital requirements
- + financing from own resources only
- low marketing budget

3.5 McKinsey 7S Framework

As the company is not established yet – the McKinsey 7S Framework will not be used as the analyzing tool but as the tool for setting the concept of the key company values in the future.

3.5.1 Strategy

Strategy of the company is to provide the highest quality English education services which will be ensured by continuous training of all teachers whose minimum required IELTS score will be 8.5 – equal to the level of native speaker.

Company target segment will be divided into two key groups – city center higher income inhabitants who will be offered the offline courses which will help them to train their English together with the teachers in small groups so that they will be taken enough care to reach the desired language level. Second group will consist of younger middle income customers who will be offered the online classes via Google Classroom in bigger groups but for the more competitive price.

Key strategy is to ensure the long term quality of provided services in order to build the long-term relationship with customers and prevent any of them leaving because of dissatisfaction with provided services. In addition – teaching techniques and highest quality will spread the company services word of mouth which is the best marketing tool ever – free and most efficient.

3.5.2 Structure

As the company will be very small – the structure will be very simple and the founders will apply the flat structure to avoid wasting resources on additional management levels. One founder will be responsible for the business, marketing, sales and processes of the company. Directly he will be cooperation with the social media manager and accountant – both of these positions will be outsourced

Second founder will be responsible clearly for the educational part of the business to have enough time to maintain the high quality – her key tasks will be the education itself, developing new learning strategies, techniques and processes, training teachers and controlling if they provide the sufficient quality. Teachers will be directly “reporting” to her.

3.5.3 Systems

Key leveraged system will be the G Suite for Education by Google – Cloud software allowing collaborating online via video and voice conferencing while working on assignments within the Google Classroom environment. This system will be leveraged for both – online and offline classes.

For online classes it will be the key feature allowing students to participate on classes from any place they wish to, while eliminating need of commuting and saving time at the same moment. Besides – the assignments will be delivered to students on

both online and an offline class as this platform allows multiple ways of collaboration and discussion on assigned tasks in real-time from both sides.

Another “system” used will be connection of iPad to the projector within the classroom by offline classes while allowing students to submit their work and ideas via their smartphones or laptops and these results can be reviewed on the projector screen together with the whole class.

3.5.4 Style

As the English teachers In Vietnam are usually young, easy going foreigners who came to Vietnam mostly to have fun and new experiences – it is crucial to set the work environment adequately to them. Together with this fact – younger students who are main target group appreciate also rather informal teaching style and environment.

Combining these two factors – management style should be really liberal and giving teachers freedom so that they feel comfortable within the work environment and spread the positive mood and good feeling across the students as well so that they feel good any time they will go to the classes.

There has to be some restriction in order to maintain the quality so the rules will be defined from the beginning – teachers can be very easy going and relaxed but they have to deliver the 100% quality and results for the students. At the same moment – students have to feel comfortable with the teacher’s attitude. These factors will be continuously controlled to ensure the best quality by attending and assessing classes by both founders randomly.

3.5.5 Staff

As mentioned in previous chapter – key staff will consist of teachers who have to be given enough freedom and appreciation to feel good in the work environment and spread this feeling to the students who will like to return to the classes every time. In order to make the staff satisfied – business founders are willing to pay the highest salaries within the Ho Chi Minh City to ensure the quality, will to develop and loyalty of the teachers.

Key outsourced staff will be the social media manager and accountant – both of these are known by founders from the past and are known to be reliable and providing good results. In order to retain these people and avoid searching the replacement –

friendly approach is a must to maintain the long term relationship beneficial for both sides. Even though these people will be outsourced – they will be invited to the team buildings and company events in order to understand the company spirit and feel part of the business – not excluded due to they are outsourced.

3.5.6 Skills

Key skills will be brought mainly by founders as mentioned in previous chapters. First founder will bring the language, teaching, training, new techniques and original teaching approaches development skills while the second founder will mainly focus on business, marketing, strategy, sales and process side of the company. Both founders have already rich experience from their areas.

Main hard skill requirement for teachers is IELTS score higher than 8.5. Regarding the soft skills they will be required the adequate level of communication and appeal to other people in order to not only deliver the content of teaching but also attract students and make them like the way of the content delivery – these soft skills will be assessed by both founders on interviews.

3.5.7 Shared values

Key shared values will be the perfect provided quality oriented not only to result but also to the way of its delivery. Company will be obligated to provide the great environment for both students and teachers even it means the increase of costs as it will be one of the key pillars of establishing business and competitive advantage compared to some companies on market having not adequate learning environment compared to the charged price. Another shared value will be to have fun on both sides – teachers and students – while studying and not perceive it as a must or boring activity.

Critical evaluation:

The concept of McKinsey 7S Framework clearly defines the approach of company which can be described as – quality, experience, great environment and feeling oriented for all sides.

- + great learning environment
- + modern technologies usage
- + flat structure

- high teachers costs

3.6 SWOT analysis

This chapter summarizes the analytical part of this thesis and sorts the key findings into the strengths, weaknesses, opportunities and threats.

Table 15: SWOT analysis. (Source: own processing)

STRENGTHS	WEAKNESSES
S1: know-how S2: high quality S3: low capital requirements S4: own resources financing S5: modern technologies usage	W1: high teachers costs W2: new company syndrome W3: low marketing budget
OPPORTUNITIES	THREATS
O1: growing education spending O2: organic demand for services O3: increasing smartphone penetration O4: GDP growth O5: growing salaries	T1: online courses substitution T2: customer demands discount T3: private lecturers T4: new competitors T5: Vietnamese founder leaves company

3.6.1 Strengths

Key company strength is the focus on the long-term sustainability of high quality provided services. This will be ensured mainly thanks to the continuous training and control of all teachers directly by the founders of the company. Key differentiator for the company is the know-how as one of the founders already has experience with the language teaching and has developed her own techniques to make education more efficient and enjoyable by students at the same time.

Another strength is the low capital requirement to settle the company which is connected with the possibility to finance the whole business from own resources only. This fact helps significantly to the business especially in the beginning as there is no requirement to cover the loan repayment in the first months of business running.

Modern technologies usage is the strength which goes hand by hand with the market trend of growing smartphone and Internet penetration in addition with covering another target segment which is formed by the middle income suburb and rural area citizens who want to get language education online.

3.6.2 Weaknesses

One of the company strategic decisions is to pay teachers salaries on the higher side of the scale in order to motivate them to the best possible performance together with the willingness to develop themselves and further share this development with their students. In addition it will retain them and keep them within the company in a long-term which is the best way to build the good relationship with both the company and the students and get aligned with the company values. The biggest drawback of this decision is definitely the cost for the company. It is partially covered by hiring all teachers as contractors which allows the company to use the teachers services only based on the students' demand.

New company syndrome can be clearly defined as the state of company being new in the market, having no brand awareness and no customers. This statement is valid only partially by the establishing company as it will have approximately 30 students from the beginning and almost another 40 will come after contacting them as they demanded the services in the near past. On the other hand the company logo and values will be brand new and will need a lot of promotion to get known by people.

Increasing the brand awareness and promoting the company services will be mainly done via word of mouth as the marketing budget will be low compared to the long term established competitors on market who are able to invest billions of VND into the advertising and promotion. On the other hand – word of mouth is always the best way of promoting any product or service.

3.6.3 Opportunities

Main opportunity for the establishing language school is the continuously growing education spending which signals the willingness of people in Vietnam to spend more in their development. This fact is closely correlated with the continuous GDP and salaries growth within Vietnam which allow people to buy more.

One of the best opportunities for any company is organic demand for services which establishing company currently has. It is thanks to the high quality of provided services and original teaching techniques of one of the business founders who is constantly seeking ways to improve the educational process and deliver the best possible results to her students.

Last but not least main opportunity for the establishing company is the continuously increasing smartphone and Internet penetration which provides the positive forecast of growing demand for online language teaching which the company will be providing.

3.6.4 Threats

The biggest group of threats is the competition which can be expected from more sources – online courses with the lower pricing which will attract customers – but mainly those who are price sensitive as the online courses can't usually deliver as high quality for customers as the offline ones. Bigger threat occurs from the private lecturers who are offering the cheaper classes in the comparable quality as language centers as they don't need to cover costs of classes and usually don't have so high taxes to pay compared to the companies.

There is always a threat of customer leaving the company or demanding the discount. Company has to have the clear calculation to decide whether it is beneficial to provide the discount or let the customer leave the company.

It is very easy for the new competitors to enter the market as there are no big barriers of entering it. On the other hand – only those competitors having adequate budget to invest into the marketing to attract enough customers and build brand awareness can be perceived as significant threat. The small competitors will gain only small market share.

If a Vietnamese founder left the company – many problems could occur as she is the one responsible for the training and of teachers and developing of new teaching techniques. At the same moment – company can save costs on social media agency and accounting company as she speaks Vietnamese and company can hire the local speaking suppliers whose pricing is significantly cheaper compared to the international ones.

3.6.5 Quantitative SWOT analysis

Tables below represent the evaluation of each factor impact on the establishing company success in the future and during its running. Key strengths, weaknesses, opportunities and threats are identified based on the weight. Tables Table 17, Table 18, Table 19 and Table 20 work with the following scales described in the Table 16: Quantitative SWOT scale explanation. (Source: own processing) below.

Table 16: Quantitative SWOT scale explanation. (Source: own processing)

Scale	Meaning
0	compared is more important than a character
0.5	character weight is the same
1	character is more important than compared

In the Table 17 there is clearly visible that the key strengths of the establishing company are know-how, high quality and partially the modern technology usage which is mainly connected with the analyzed opportunities further.

Table 17: Quantitative strengths. (Source: own processing)

	know-how	high quality	low capital requirements	own resources financing	modern technologies usage	Sum	Weight
know-how	x	0.5	1	1	1	3.5	35 %
high quality	0.5	x	1	1	0.5	3	30 %
low capital requirements	0	0	x	0.5	0	0.5	5 %
own resources financing	0	0	0.5	x	0	0.5	5 %
modern technologies usage	0	0.5	1	1	x	2.5	25 %
Sum	x	x	x	x	x	10	100 %

Table 18 results in the clear biggest threat identification which is the high teachers cost. New company syndrome and low marketing budget are only small causes for concern.

Table 18: Quantitative weaknesses. (Source: own processing)

	high teachers costs	new company syndrome	low marketing budget	Sum	Weight
high teachers costs	x	1	1	2	66 %
new company syndrome	0	x	0.5	0.5	17 %
low marketing budget	0	0.5	x	0.5	17 %
Sum	x	x	x	3	100 %

Table 19 identifies the biggest opportunities for the company which are in growing education spending in addition with the organic demand for the company provided services.

Table 19: Quantitative opportunities. (Source: own processing)

	growing education spending	organic demand for services	increasing smartphone penetration	GDP growth	growing salaries	Sum	Weight
growing education spending	x	0.5	1	1	1	3.5	35 %
organic demand for services	0.5	x	1	1	1	3.5	35 %
increasing smartphone penetration	0	0	x	0.5	0.5	1	10 %
GDP growth	0	0	0.5	x	0.5	1	10 %
growing salaries	0	0	0.5	0.5	x	1	10 %
Sum	x	x	x	x	x	10	100 %

Table 20 identified biggest threat for the company as Vietnamese founder leaving the business as she will be one of the most valuable company human resources. Customers requesting demand or leaving can be considered as the big threat as well if the company don't do the calculations of pricing properly.

Table 20: Quantitative threats. (Source: own processing)

	online courses substitution	customer demands discount	private lecturers	new competitors	Vietnamese founder leaves company	Sum	Weight
online courses substitution	x	0	0.5	0.5	0	1	10 %
customer demands discount	1	x	0.5	0.5	0	2	20 %
private lecturers	0.5	0.5	x	0.5	0	1.5	15 %
new competitors	0.5	0.5	0.5	x	0	1.5	15 %
Vietnamese founder leaves company	1	1	1	1	x	4	40 %
Sum	x	x	x	x	x	10	100 %

3.6.6 TOWS matrix

TOWS matrix evaluates the relationship and intensity between each factor. Factors are divided into four categories:

- S-O – using strengths to maximize opportunities
- W-O – minimizing weaknesses by taking advantage of opportunities
- S-T – using strengths to minimize threats
- W-T – minimizing weaknesses and avoiding threats

Evaluation scale interval is defined from -5 to 5 - -5 represents the most negative bond, 0 represents no intensity of bond and 5 represents the most positive bond.

Table 21: Strengths and opportunities. (Source: own processing)

	know-how	high quality	low capital requirements	own resources financing	modern technologies usage	Sum
growing education spending	5	4	1	1	3	14
organic demand for services	5	5	1	1	3	15
increasing smartphone penetration	3	2	1	1	5	12
GDP growth	4	4	1	1	2	12
growing salaries	3	3	2	2	1	11
Sum	x	x	x	x	x	64

Table 22: Weaknesses and opportunities. (Source: own processing)

	high teachers costs	new company syndrome	low marketing budget	Sum
growing education spending	3	3	2	8
organic demand for services	4	4	5	13
increasing smartphone penetration	1	1	3	5
GDP growth	3	2	1	6
growing salaries	2	2	1	5
Sum	x	x	x	37

Table 23: Weaknesses and threats. (Source: own processing)

	high teachers costs	new company syndrome	low marketing budget	Sum
online courses substitution	-1	-2	-3	-6
customer demands discount	-1	-2	-1	-4
private lecturers	-1	-2	-3	-6
new competitors	-1	-3	-2	-6
Vietnamese founder leaves company	-4	-1	-4	-9
Sum	x	x	x	-31

Table 24: Strengths and threats. (Source: own processing)

	know-how	high quality	low capital requirements	own resources financing	modern technologies usage	Sum
online courses substitution	-1	-1	-2	-1	-4	-9
customer demands discount	-1	-1	-1	-1	-2	-6
private lecturers	-1	-2	-2	-2	-2	-9
new competitors	-1	-2	-1	-1	-3	-8
Vietnamese founder leaves company	-5	-2	-1	-1	-1	-10
Sum	x	x	x	x	x	-42

Table 25: TOWS summary. (Source: own processing)

	S	W
O	64	37
T	-42	-31

Based on the TOWS matrix evaluation – company should implement the S-O strategy and using its strengths in connection with opportunities in order to reach the best possible results.

4 BUSINESS PLAN

This chapter contains the business plan for the establishing company – language school in Ho Chi Minh City offering both offline and online classes. Key competitor advantages will be the provided quality, original teaching techniques verified by students during the long term, great location of the classrooms and modern teaching channel online using the latest technologies.

Company will use the opportunities of GDP and salaries growth in Vietnam together with the decreasing unemployment and growing spending into the education. Key element for the online target segments will be the increasing smartphone and Internet penetration and the promotion on social media to those customers.

From the beginning language school will have 33 students together with estimated another 40 students coming after new teacher will be hired. This fact ensures the stable income from the beginning of business.

4.1 Title page

Company name:	Language school LLC
Legal form:	Limited Liability Company
Company seat:	Ho Chi Minh City, Vietnam
Capital:	250 million VND
Business subject:	Providing language education
Founders:	Filip Doseděl 2. founder

4.2 Executive summary

Establishing language school will have paying customers from the beginning of business as one of the founders will transfer her 33 students under the school together with bringing approximately 40 additional students interested in her services whose she rejected in the past due to the capacity reasons. Additional students will be acquired mainly using social media advertising ran by experienced social media manager.

Company will focus on two main target groups – first one will consist of high-income city center citizens of Ho Chi Minh City who will attend offline classes in the

company classrooms. Second group will consist of middle income, young citizens of Vietnam nationwide who will be targeted via social media. The exact advertising strategy will be set by social media manager according to the budget which is dependent on variant in the commercial and financial plan.

Key priority of the school will be the provided quality and original teaching techniques which ensures the long term relationship building and retaining customers. Another priority will be to create the relaxed learning environment for both students and teachers as they will be mainly younger foreigners who prefer casual style before the formal one.

4.3 Business description

Establishing language school will have its classrooms within the city center in District 2, Thao Dien to be as close as possible to the target segment for the offline classes – high-income city center inhabitants requesting the highest quality for which they are willing to pay adequate prices.

To provide the possibility of choice to the customers – company will also provide the online teaching classes mainly for suburb and rural areas middle income young inhabitants who are facing the problem of commuting and time consuming factors related to the offline classes. Decision for opening online courses as well is highly supported by the continuous growth of Internet and smartphone penetration within Vietnam – currently mainly in rural and suburb areas as the city penetration is already closing to the 100 %. These newly emerging smartphone and Internet users are the brand new target segment ideal for acquisition via social media.

Company will transfer all current students of one of the business founders and acquire all students requesting the services but being currently rejected due to the capacity reasons. This trend of word of mouth spreading about the high quality and innovative teaching techniques will be the key acquisition and retention tool for the company in a long-term period.

Word of mouth will be supplemented by social media advertising using the verified social media manager who cooperated with one of the founders in the past and showed the outstanding results.

Founders decided to choose the Limited Liability Company legal form as it allows foreigners to own the share and participate on business control and its capital requirements are reasonable – this legal form is comparable with the Czech s.r.o.

4.3.1 Vision

Company vision is to become the TOP5 highest quality English teaching language school in the Ho Chi Minh City focusing on preparation students for IELTS exam while building the long term relationship with the students and spreading its services quality word of mouth. Besides company wants to create the comfortable learning environment for both students and teachers.

4.3.2 Mission

Company mission is to attract and retain customers as well as high quality teachers by providing them the great learning environment in order to provide the highest possible quality education and helping the students to reach their goals in terms of specific language level reaching and growing both personally and professionally.

4.3.3 Strategy

Strategy of the company is to focus on providing the highest quality English education in both online (while using the latest technologies to allow students to eliminate the commuting and save their time) and offline (to increase the motivation of students to learn language to the maximum by including them in all conversations during the classes) learning channels.

4.3.4 Goals

According to the SMART methodics – goals are set as following:

- Having 100 paying customers for 2 classes a week, every week, every month one year from setting up the company,
- Having 10 % of acquired customers coming from the word of mouth channel one year from setting up the company,
- Having 10 newly acquired customers from social media advertising every month one year from setting up the company.

4.4 Business and market analysis

Business and market analysis were already done within the analytical part of this thesis⁵¹. In this chapter there will be only the summary of key points found within the analysis.

There is a big competition on the language education market however even the most prestigious companies presenting themselves as the highest quality providers can't always deliver the 100% results. This fact helps to the establishing company which will not focus on competing by the lower price but by the highest provided quality of service. Online classes are supported by continuously growing smartphone usage.

Economic factors are clearly supportive for the language company establishing as the GDP and salaries are continuously growing together with the spending to the education while unemployment is decreasing.

Vietnamese people are clearly interested about English language education and the fact that majority of people – especially in suburbs and rural areas – doesn't speak English is a significant opportunity for the establishing company. This fact was also confirmed by the market research.

In the Table 26: Market research summary. (Source: own processing) below there is a brief summary of market research results. Target customers are split into two main groups – online and offline classes – including both current and potential students.

Table 26: Market research summary. (Source: own processing)

Group	Number of (potential) students	Average price willing to pay (thousand VND)
Offline classes		
Current students	33	150 – 200 (depending on the group size)
Rejected students due to capacity	40	200 – 250 (depending on the group size)
Willing to be contacted	156 (out of 176 asked)	187 (average based on the research)
Online classes		
Willing to be contacted	202 (out of 224 asked)	170 (average based on the research)

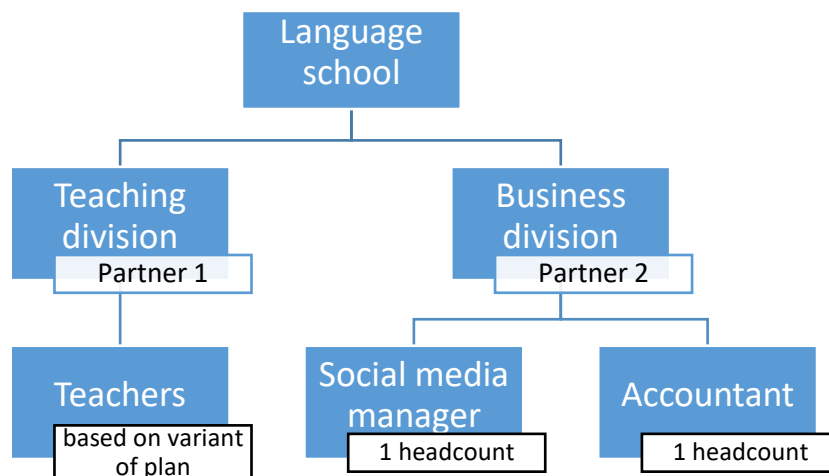
4.5 Organizational plan

Establishing company will be classified as the small business category. Therefore the organizational plan is very simple. Language school will be divided into two divisions – teaching and business. In the Chart 10: Organizational chart. (Source: own processing) is described the organizational chart of the company for better illustration.

Teaching division will be led by the founder who has a long term experiences with language education, has her own techniques & methods and will bring her current students to the school – as now she is having the classes in her apartment which is not convenient in a long-term period. She will be responsible for the interviewing and choosing the proper teachers together with the second partner. Teachers will be reporting directly to her and will be continuously evaluated by her and the second partner. Number of teachers is dependent on the variant of the commercial and financial plan.

Business division will be led by the second partner who has experiences from this field – especially sales, marketing, communication, project management and strategic planning. Two people will be reporting to him – the social media manger and accountant who will be outsourced. Communication with them will be slightly complicated by the language barrier as both of these people will be the Vietnamese citizens. For the purpose of 100% understanding of each other – first partner will be attending all meetings with them as well in order to make sure that there will not be any miscommunication.

Chart 10: Organizational chart. (Source: own processing)



4.6 Commercial plan

This chapter describes the acquisition strategy of the company together with the three variants of the business success in terms of acquired students and average price per one student – optimistic, pessimistic and realistic one. Numbers are calculated based on previous analysis – mainly the current customers and potential ones market research.

Each variant counts with the minimum 33 of students who will be transferred from one founder to the language school and with part of the 40 demanding students for the services who were rejected due to the capacity adequate to the variant.

4.6.1 Acquisition strategy

Acquisition strategy will consist of three key pillars – word of mouth, social media advertising and brand awareness building to attract customers for the acceptable price for the beginning company.

Word of mouth is planned to be the channel bringing 10 % of all acquired customers one year from setting up the company. This way of acquisition is the most efficient even though it doesn't cost company any money – yet it is very hard to reach the high enough quality of teaching, environment and original techniques to be appreciated by customers so much that they will recommend the services to their relatives and friends.

Second acquisition channel will be the social media advertising which is clearly adequate mainly due to the constantly growing smartphone and Internet penetration together with the fact that it is used on daily basis mostly by higher income and younger citizens of Vietnam. This channel is very cheap if the advertising strategies are set up correctly – that is the main reason why the company is willing to pay the social media manager from the moment of its market entering as he can deliver much better results mainly thanks to the local market and culture knowledge than the foreign founder even though he is experienced in advertising.

Third pillar is building the brand awareness in order to bring the establishing language school into the minds of people whenever they think of English education. Building the brand awareness will be insured mainly by using:

- High quality of provided services,
- Original (continuously updated) teaching techniques,

- Possibility to bring logo on the building with classrooms,
- Social media profiles managed by the social media manager.

4.6.2 Variant acquisition funnel

Below are three variant of acquisition funnel calculation – pessimistic, realistic and optimistic. Numbers used for the calculations are based on the analytical part. Share of online and offline classes students is calculated based on market survey as 60/40 online/offline classes. Coefficient of number of classes per week is calculated as weighted average based on the market survey and is equal to 2.165 classes per week per student. Average class size is calculated as five students.

4.6.3 Pessimistic variant

Table 27: Acquisition funnel - pessimistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
current students	33	90	145
previously rejected			
number	40	0	0
conversion rate	50%	0	0
acquired	20	0	0
social media			
budget [th VND]	100,000	150,000	200,000
audience	400,000	600,000	800,000
click through rate	2%	2%	2%
click through number	8,000	12,000	16,000
conversion rate	0.50%	0.50%	0.50%
acquired	40	60	80
promotion event			
budget [th VND]	20,000	30,000	40,000
number of reached	16,000	24,000	32,000
conversion rate	0.05%	0.05%	0.05%
acquired	8	12	16
total acquired by active promotion	101	162	241
word of mouth			
ratio on total acquired	5%	5%	5%
acquired	5	8	12
total number of students acquired	106	170	253
attrition	15%	15%	15%
total number of students after attrition	90	145	215

Pessimistic variant of acquisition funnel calculates with all current students of the first founder transferred to the language school. Only 50 % of previously rejected students will be converted which is adequate to the pessimistic scenario. Efficiency of promotion activities of social media and promotion events is really low compared to the standard results of the social media manager. Budget for the following years is increasing only slightly as there are not enough funds to cover all of the activities. Word of mouth conversion ratio is halve of the set goal in previous chapters.

4.6.4 Realistic variant

Table 28: Acquisition funnel - realistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
current students	33	144	316
previously rejected			
number	40	0	0
conversion rate	70%	0	0
acquired	28	0	0
social media			
budget [th VND]	100,000	200,000	300,000
audience	400,000	800,000	1,200,000
click through rate	2.5%	2.5%	2.5%
click through number	10,000	20,000	30,000
conversion rate	0.7%	0.7%	0.7%
acquired	70	140	210
promotion event			
budget [th VND]	20,000	50,000	100,000
number of reached	14,000	35,000	70,000
conversion rate	0.10%	0.10%	0.10%
acquired	14	35	70
total acquired by active promotion	145	319	596
word of mouth			
ratio on total acquired	10%	10%	10%
acquired	15	32	60
total number of students acquired	160	351	656
attrition	10%	10%	10%
total number of students after attrition	144	316	590

Realistic variant calculates with all current students of the founder transferred to the language school as well but conversion rate of previously rejected students is already 70 %. Efficiency of social media advertising and promotion events is higher and budgets are growing faster as well. Word of mouth conversion meets the set goals.

4.6.5 Optimistic variant

Table 29: Acquisition funnel - optimistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
current students	33	233	740
previously rejected			
number	40	0	0
conversion rate	90%	0	0
acquired	36	0	0
social media			
budget [th VND]	100,000	300,000	900,000
audience	400,000	1,200,000	3,600,000
click through rate	3%	3%	3%
click through number	12,000	36,000	108,000
conversion rate	1.00%	1.00%	1.00%
acquired	120	360	1,080
promotion event			
budget [th VND]	20,000	70,000	130,000
number of reached	16,000	56,000	104,000
conversion rate	0.15%	0.15%	0.15%
acquired	24	84	156
total acquired by active promotion	213	677	1,976
word of mouth			
ratio on total acquired	15%	15%	15%
acquired	32	102	296
total number of students acquired	245	779	2272
attrition	5%	5%	5%
total number of students after attrition	233	740	2,158

Optimistic variant considers transfer of all current students together with the conversion rate of previously rejected students equal to 90 %. Social media and event advertising is above average and budgets to these activities grows significantly. Word of mouth ratio is above the goals and attrition is very low. Final number of students in the third year is already beyond expectations – breaching the 2 000 students.

4.7 Marketing plan

This chapter contains the marketing plan for the establishing language school using the marketing mix of services (7P). Marketing mix describes key elements of product, place, physical evidence, promotion, price, people and key processes for the business running.

4.7.1 Product

Company will offer two product lines – offline and online English classes. Offline classes will be primarily offered to the high income citizens of the city center of Ho Chi Minh City where the offline classes will take place – more specifically in the District 2, Thao Dien – one of the richest areas of the whole Vietnam. Classes will be done within the rented classrooms.

Online classes are targeted mainly on middle income younger population of Vietnam living in suburb and rural areas. These students will be taught using Google classroom tool which enables students to connect to the classes from any place with the Internet connection and participate on the given tasks in a real time.

Key feature of both products is reaching the highest possible English level within the shortest possible time. Both will be taught by teachers with level of IELTS 8.5 or higher and will enable to reach this level to the students. Another key element is the way of teaching which will be trained by the founder who is having long term experience with the new techniques development, usage and continuous improvement which is verified by the number of students being taught by her and requesting her services.

4.7.2 Place

As mentioned above – offline classes will be taught within the rented classrooms which are in the reconstructed building previously used as training rooms for the international corporation. Each of them is equipped with standard furniture, whiteboard, projector and speakers suitable for learning. Speakers and projector will be connected to the iPad used by teacher who will be able to collect any inputs from students submitted via their laptops or smartphones. This will allow the whole class to see each other's work and ideas. In addition all inputs will be stored within the Google classroom course environment and all participants can review them anytime anywhere and eventually comment them and discuss with others even after class ends.

Online classes will be taught clearly using the Google classroom in order to avoid any commuting and allow time saving. Online classes will be cheaper as their costs will be lower as well – there will be no requirement of classroom which is costly within the city center and in addition as teachers will be able to teach these classes from

their home using iPads – they agreed with the lower salary for the online classes. This fee was calculated to make all three parties satisfied – students will have cheaper price compared to the offline classes, teachers will save time and money for commuting which compensates the lower salary and in conclusion their net income will be even higher or at least the same as if they had to commute to the classroom and company will acquire more customers by opening new learning channel while keeping the sustainable profit margin.

4.7.3 Physical evidence

Key physical evidence will consist of classrooms and the building in which they are located. Thanks to the fact that the whole floor is full of classrooms which served as training rooms for the international corporation which completely reconstructed the whole building and equipped it with the latest technologies and then was moved to the Hanoi based on the company headquarters decision – they left most of the equipment in the building as moving all of it to Hanoi would be very expensive and wouldn't match with the new building design concept. This is clearly beneficial for the establishing company as the rent is really low compared to the state of the building and classes which are fully equipped and reconstructed – for the previous owner it would be very difficult to rent so huge spaces left after the corporation which moved to Hanoi for the standard market price in a short term and he would suffer from the negative cash flow – that is his main reason for renting the spaces for so competitive price.

Company is allowed to place its logo to the building entrance lobby and to the standees in front of the building to attract customers – this promotion spaces are included within the rent price. In addition – rent is including the services of the receptionist in the main building lobby who will guide visitors to the company classrooms and office.

Following physical evidence element is definitely the whole brand concept of the company which will include the websites, social media profiles, leaflets which will be handed over by hostesses during the promotion actions and all learning materials.

4.7.4 Promotion

As described in the chapter 4.6.1 Acquisition strategy – key promotion elements will be the word of mouth, social media, branding, building promotion spaces and leaflets handing over during the promotion events by hostesses.

The goal is to sustainably maintain the word of mouth acquisition channel bringing at least 10 % of totally acquired customers – in order to achieve this number – students will be provided the best possible quality, continuously updated original teaching techniques, convenient learning environment and will be reminded gently that they can tell about the classes to their friends who can try the free entry lesson to decide whether or not this learning style is suitable for them.

Social media are connected with the brand building and will include the profile maintaining together with the social media advertising which is currently the most efficient tool to promote any product or service within Vietnam. To reach the best cost benefit ratio – the whole strategy and campaigns setup will be done by experienced local social media manager who understands the Vietnamese market and is specialized on the services promoting.

As described in the chapter 4.7.3 Physical evidence – building will provide another promotion spaces both inside and outside – main benefit is that it is placed within the District 2, Thao Dien center on the most frequented road which attracts huge number of potential customers.

To promote the courses as much as possible – ad-hoc offline promotion events will be done using the hostesses handing over the leaflets promoting the services in the Districts 1, 2 and 7 which will be the target areas of the company. Each leaflet will contain brief description of offered service and the QR codes which will guide the potential customer to the company website and social media profile.

4.7.5 Price

Products pricing will be based on the competitors' prices and the market research. Each product line will have separate pricing in order to give the customers possibility of choice regarding the price of provided service.

Offline classes will be promoted as the highest product line and its pricing will be comparable to the competition within the area – as already mentioned company

doesn't want to fight the competitors cutting the prices but via the best quality and the original teaching techniques. Offline classes price will be 230 000 VND + 10% VAT – resulting in the end customer price of 253 000 VND which is comparable with the competitors – there will be one huge benefit compared to the competition in terms of payment conditions which is described in the chapter 4.7.5.1.

Online courses price will be lower as no classrooms costs will be applied on it and teachers agreed on the lower salary for these lessons as they don't need to commute to the classroom but can teach using their iPads from their home or any place they prefer instead. Price is set to 180 000 VND excluding VAT which represents the end customer price of 198 000 VND per lesson.

Considering that all lessons will be taught by IELTS level 8.5 or higher teachers – the pricing is highly competitive and attractive to customers as most of them were willing to pay the prices mentioned above even for the entry level classes taught by significantly lower experienced and educated teachers.

4.7.5.1 Payment conditions

As mentioned above – the pricing is almost the same as the direct competitors' one – but in case of competitors customer is obligated to buy the whole language course lasting tens of hours which means that if customer doesn't like the teaching process he has no chance to get his money back and leave to the competition.

The pricing model of the establishing company is clearly showing the customers that company believes strongly in its services and for that reason it is offering the “pay per lesson” pricing model which allows students to pay per each lesson separately and the possibility of leaving the course anytime. This approach is very risky in terms of the cash flow sustainability but is clearly showing the confidence in the best provided quality. This model is applied for years by the founder of the company who is teaching the English and so far no student has left without any notice upfront or the significant reason.

As confirmed by students and the common practice on Vietnamese market – people prefer not to be bonded anyhow as they are afraid of the long commitment and can be discouraged by it to enroll to the course.

4.7.6 People

Key people of the company will be the teachers who will be required to have minimum IELTS level of 8.5 and positive approach towards students together with the will and motivation to learn and develop themselves to give the best possible knowledge to their students in the best possible way. For that reason – their salaries will be on the upper scale of the standard foreign teachers’ salary range within the Ho Chi Minh City center.

Founders will be the key people as well as they will bring all the know-how from both business and language teaching sector. One founder will bring innovative teaching techniques currently applied to her students which are highly appreciated by them and are bringing a lot of demand from other people spreading just by the word of mouth. Business knowledge in terms of strategy building, branding, processes and advertising will be brought by the second founder.

The most important people within the company will be definitely students who will be treated by the highest possible quality of education, friendly approach by both founders and teachers and will continuously asked about the feedback on the provided services in order to improve them and bring the most valuable language education possible.

Two outsourced positions important to the business running will be the accountant who will provide all the legally required documents and reports to the government while helping the founders to control their business financial situation. Based on the data provided by accountant – future strategies will be done in order to optimize the whole business running. Second outsourced position will be the social media manager who will take care of the company profiles online together with bringing the traffic to the company – he agreed to follow the SLA – service level agreement to reach the minimum set advertising outputs in terms of the brought traffic to the company website and profiles on social media together with the conversion rate from the advertising to the final customer.

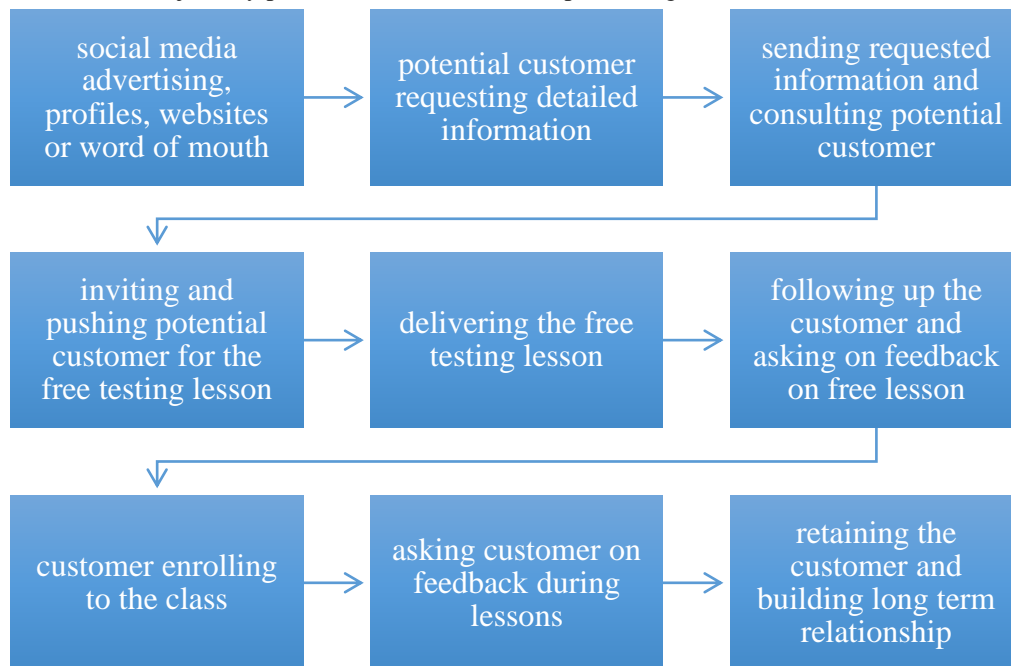
4.7.7 Processes

Key processes of the company consist of two key areas – teaching and business. In terms of teaching processes and techniques – they are subject of the key company

know-how and competitive advantage and are not included in this business plan to avoid their misuse by the competition.

Business processes are mainly about the business running and are not anyhow different to other companies as they are mainly related to the obligatory operations such as invoicing, accounting and submitting documents to the government on the regular basis. One of the described processes from the business areas is the acquisition process.

Schema 1: Customer journey process flow. (Source: own processing)



Schema 1: Customer journey process flow. (Source: own processing) – there is briefly described the acquisition, relationship and retention process – the whole customer journey with the company. First step is the customer attraction via social media profiles, advertising, websites or word of mouth. Potential customers interested in the services will contact the company via social media, phone, email or come personally – then they will be described whole learning concept of the company and key benefits for him together with inviting him for the free testing lesson which is completely free of charge and without any further obligations. If potential customer needs time to think of it he is followed up later to remind him about the free lesson opportunity and explained eventual concerns. If the customer takes the free lesson and doesn't enroll to the paid course – he is followed up by his preferred channel – if he is not interested in the product – he is asked about the feedback and reason why it is not

interesting for him and if he will consider taking this courses in the future (e.g. he has no money or time now but is interested in the course – he will be reminded later about the course availability). Even after enrolling the class – customer will be continuously asked about the feedback and points to improve from his point of view. If customer decides to leave he is asked about the reasons and eventually offered the discount if there is no other option (discount amount is calculated based on the LTV formula which is subject of company know-how and is not publishable within this business plan).

4.8 Risk evaluation

This chapter identifies, assesses and maps all possible risks of this business plan. Furthermore there are proposed risk reduction steps which are visualized using the spider chart.

4.8.1 Risk identification

Proposed business plan includes also some specific risks which require to be identified, analyzed, classified and reduced using specific techniques.

Highest impact risks on the business are following:

- online courses substitution
- compensated confiscation
- private lecturers
- new competitors
- Vietnamese founder leaves company

Table 30: Risk identification. (Source: own processing)

ID	Threat	Scenario
R1	Online courses substitution	Increased students attrition in offline courses and demand for discounts
R2	Compensated confiscation	Company and its property confiscation for the lower than market price
R3	Private lecturers	Increased students attrition in offline courses and demand for discounts
R4	New competitors	Higher acquisition costs, higher attrition in both online and offline courses, more difficult brand building
R5	Vietnamese founder leaves company	Significant cost increase

4.8.2 Risk assessment

Table 31: Risk assessment scale. (Source: own processing)

Value	Probability	Impact
1	Almost excluded	Insignificant
2	Improbable	Little significant
3	Possible	Significant
4	Probable	Very significant
5	Almost certain	Critical

Table 31 describes the values of probability and impacts which are used for the risk assessment. Scale includes interval from one to five while one represents the lowest weight of attribute and five represents the highest weight. By multiplication of probability and impact is defined the total risk value (TRV).

1-8 Common Risk – No need for countermeasures but it is desirable to monitor it.

9-17 Severe Risk – Increased attention and plan for appropriate countermeasures are required.

18-25 Critical Risk – adequate countermeasures to Respond.

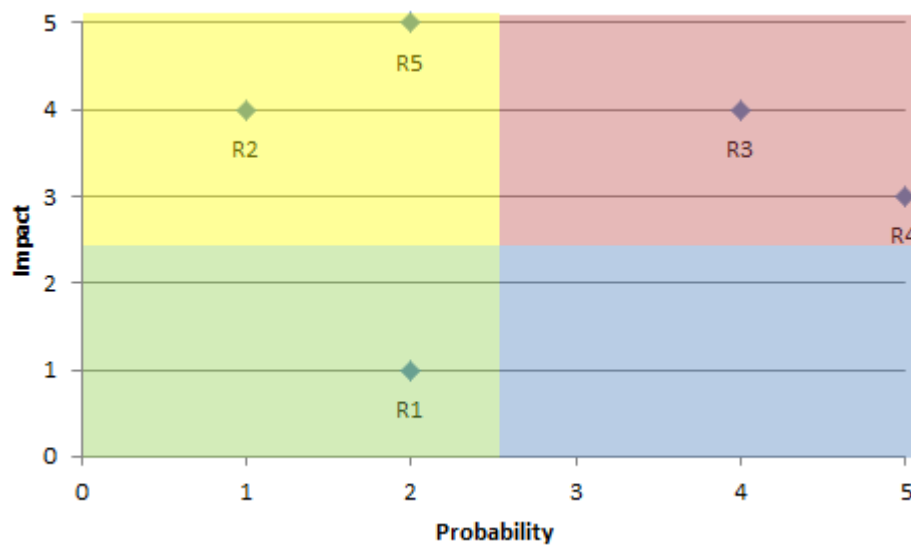
Table 32: Risk assessment. (Source: own processing)

ID	Risk	Probability	Impact	TRV
R1	Online courses substitution	2	1	2
R2	Compensated confiscation	1	4	4
R3	Private lecturers	4	4	16
R4	New competitors	5	3	15
R5	Vietnamese founder leaves company	2	5	10

4.8.3 Risk map

Risks, their probability and impact are illustrated in the Chart 11. X-axis represents the probability values and Y-axis represents impact. The green sector represents the insignificant risk values area, the blue sector represents the common risk values area, the yellow sector is an area of significant risk values and the red sector is an area of critical risk values. Risks 3 and 4 are in the critical area, risks 2 and 5 are within the significant risk area and risk 1 belongs to the insignificant risk area.

Chart 11: Risk map. (Source: own processing)



4.8.4 Risk reduction steps

In Table 33 and Table 34 the reduction steps for each risk are defined – including the new probability, impact and TRV after these steps implementation.

Table 33: Reduction steps for risks 1 and 2. (Source: own processing)

ID	Threat	Reduction steps	Probability	Impact	TRV
R1	Online courses substitution	Providing own online classes product line with competitive pricing and highest possible quality	1	1	1
R2	Compensated confiscation	Following the Vietnamese law and providing all required materials and information to comply with the government regulations	1	2	2

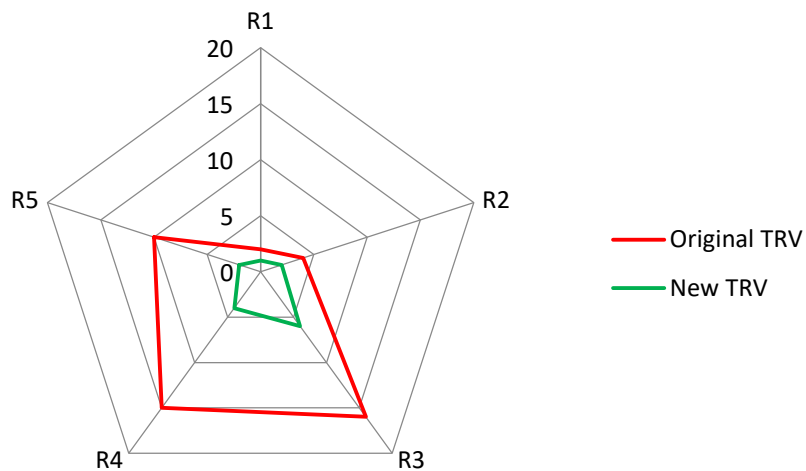
Table 34: Reduction steps for risks 3, 4 and 5. (Source: own processing)

ID	Threat	Reduction steps	Probability	Impact	TRV
R3	Private lecturers	Providing the best possible quality and building the long term relationship with customers by both online and offline courses product lines	2	3	6
R4	New competitors	Continuously investing into the brand building and long term relationship building with customers from the beginning of the business	2	2	4
R5	Vietnamese founder leaves company	Creating all relevant processes descriptions, clearly defining the competences and areas of actions for each partner and clearly defining the ownership structure of the company	1	2	2

4.8.5 Spider chart

Chart 12 illustrates the risk reduction steps effects. Red lines represents the original TRV (total risk value) before the reduction steps and green line after reduction steps status which clearly shows that by risks 3, 4 and 5 it makes significant sense to apply these steps in order to minimize them. On the other hand risks 1 and 2 should be only monitored and in case of reduction actions it should be clearly calculated whether it is profitable to implement them or not.

Chart 12: Spider chart. (Source: own processing)



4.9 Financial plan

This chapter contains the most important part of the business plan – the financial plan based on which the decision whether to implement the business plan or not is made. Plan is created in three variants – realistic variant contains the values gathered from the market research and most relevant estimations. Pessimistic and optimistic variant values represent the negative or positive externalities influencing the business.

In all variants below – split between online/offline students is calculated based on the market research as 60/40. Price per lesson is calculated based on analytical part. Number of classrooms needed is considering that all offline classes take place in them and part of online classes can be taught there by the teachers who don't want to teach from home – there is significant reserve calculated as the highest usage of classes will be in the afternoon, evenings and at the weekend.

Number of teachers is calculated with the same logic as by classrooms – they will be paid based on the taught classes' number and will be hired as contractors – meaning that the company will have to add 10% VAT to their salary according to the Vietnamese law – due to the contractors way of cooperation price per lesson will be higher – 500 000 VND for one online class and 600 000 VND per offline class without VAT. Average class size is calculated as 5 students group based on the analysis. Average number of classes per week per student is calculated as weighted average of the market research resulting in 2.165.

Costs are divided into VAT and non-VAT groups – all of the chosen suppliers will be chosen as standard VAT payers in order to reduce the paid taxes. The only two non-VAT costs will be the incorporation expenses which are paid to the state and are not subject of VAT and the salaries of the founders including the social and health insurance – as Vietnam is a cheap place to live in – first year calculated salary is only 15 million VND per month per founder including social (employer paying 17.5 % and employee 8 % of the gross salary) and health (employer paying 3 % and employee 1.5 % of the gross salary) insurance.

In the following years – founders' salaries will increase to 20 million VND per founder per month which is enough to cover standard living expenses. Rest of the profits will be withdrawn as the capital gains income.

4.9.1 Opening balance sheet

In the Table 35 there is the opening balance sheet structured according to the Vietnamese law. Registered capital is 250 million VND and the incorporation expenses – representing the processing fees paid to the government for the business incorporation and recording all necessary documents to be compliant with the law.

Table 35: Opening balance sheet. (Source: own processing)

ASSETS [million VND]		EQUITY [million VND]	
SHORT-TERM ASSETS	250	LIABILITIES	0
Cash	230		
Incorporation expenses	20		
LONG-TERM ASSETS	0	OWNER'S EQUITY	250
		Registered capital	250
TOTAL ASSETS	250	TOTAL CAPITAL	250

4.9.2 Break-even point

All three variants calculate with the same first year fixed costs containing following yearly expenses:

- rent of two classrooms 216 million VND
- social media budget 100 million VND
- promotion events budget 20 million VND
- accountant 24 million VND
- founders salaries 360 million VND
- incorporation costs 20 million VND

Average price is calculated as weighted average of 60/40 split of online/offline classes with the pricing 180/230 thousand VND – resulting in average price of 200 000 VND. Same logic is used for the average teachers' salary calculation resulting in average price per five students group of 540 000 VND – 108 000 VND per student respectively. iPads and other costs are distributed to all impacted students per year.

Variable costs per lesson are as following:

- teachers' salaries 108 000 VND
- iPads 1 777 VND
- other costs 8 883 VND

Total fixed costs = 740 million VND

Total variable costs = 118 660 VND per lesson

Price per lesson = 200 000 VND

Formula 4: Break-even point. (Source: own processing)

$Q = \frac{740\,000\,000}{200\,000 - 118\,660} = \frac{740\,000\,000}{81\,340} = 9\,098$ lessons needed to reach the break-even point, respectively **81** students visiting the classes for all three variants of business plan.

4.9.3 Pessimistic variant

Table 36: Financial plan - pessimistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
income			
total number of students after attrition	90	145	215
online students	54	87	129
offline students	36	58	86
price per online lesson [th VND]	180	180	180
price per offline lesson [th VND]	230	230	230
online students income [th VND]	1,094,278	1,763,003	2,614,108
offline students income [th VND]	932,162	1,501,817	2,226,832
total income [th VND]	2,026,440	3,264,820	4,840,940
costs which are subject to VAT			
number of classrooms	2	2	3
cost classrooms [th VND]	216,000	216,000	324,000
number of teachers	2	3	4
cost teachers [th VND]	1,094,278	1,763,003	2,614,108
social media [th VND]	100,000	150,000	200,000
promotion events [th VND]	20,000	30,000	40,000
accountant [th VND]	24,000	24,000	24,000
Ipads [th VND]	20,000	10,000	10,000
other costs [th VND]	90,000	145,000	215,000
cost total [th VND]	1,564,278	2,338,003	3,427,108
VAT			
income VAT [th VND]	202,644	326,482	484,094
cost VAT [th VND]	156,428	233,800	342,711
VAT to pay [th VND]	46,216	92,682	141,383
non-VAT costs			
founders salaries [th VND]	360,000	480,000	480,000
incorporation expenses	20,000	0	0
profit			
EBIT [th VND]	82,162	446,817	933,832
income tax [th VND]	16,432	89,363	186,766
VAT [th VND]	46,216	92,682	141,383
EAT [th VND]	19,514	264,772	605,683

From the Table 36 is clearly visible that even pessimistic variant is profitable after the first year within the business even though the profit is very low and the return on investment is only 1 % in the first year. Following years are significantly better.

Table 37: Return on investment - pessimistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
ROI	1.00%	9.40%	15.50%

Cash flow statement

In the Table 38 there is calculated the cash flow of the pessimistic variant – it is clearly visible that the company has a significant cash reserves even in the first year of business. Following years' cash flow is calculated by all variants for the situation if founders didn't withdraw any money from the company to represent the growing trend.

Table 38: Cash flow - pessimistic variant. (Source: own processing)

[million VND]	1 st year	2 nd year	3 rd year
cash in year beginning	230	270	534
online students income	1,094	1,763	2,614
offline students income	932	1,502	2,227
classrooms costs	-216	-216	-324
teachers costs	-1,094	-1,763	-2,614
social media costs	-100	-150	-200
promotion events costs	-20	-30	-40
accountant costs	-24	-24	-24
Ipads costs	-20	-10	-10
other costs	-90	-145	-215
founders salaries	-360	-480	-480
income tax	-16	-89	-187
VAT	-46	-93	-141
cash in year end	270	534	1,140

1st year end balance statement

Table 39: First year-end balance statement - pessimistic variant. (Source: own processing)

ASSETS [million VND]		EQUITY [million VND]	
SHORT-TERM ASSETS	270	LIABILITIES	0
Cash	270		
LONG-TERM ASSETS	0	OWNER'S EQUITY	270
		Registered capital	250
		Net profit for the current period	20
TOTAL ASSETS	270	TOTAL CAPITAL	270

Table 39 represents the 1st year-end balance statement for the pessimistic variant. Based on the Vietnamese legislation – founders leveraged the possibility to include all of its property to the short term assets and include it to the costs for the first year without need of the write-offs as company is generating profit even by the pessimist variant – this approach was chosen also for the realistic and optimistic one.

4.9.4 Realistic variant

Table 40: Financial plan - realistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
income			
total number of students after attrition	144	316	590
online students	86	190	354
offline students	58	126	236
price per online lesson [th VND]	180	180	180
price per offline lesson [th VND]	230	230	230
online students income [th VND]	1,742,738	3,850,236	7,173,598
offline students income [th VND]	1,501,817	3,262,568	6,110,842
total income [th VND]	3,244,556	7,112,804	13,284,440
costs which are subject to VAT			
number of classrooms	2	3	5
cost classrooms [th VND]	216,000	324,000	540,000
number of teachers	3	6	10
cost teachers [th VND]	1,751,745	3,841,230	7,173,598
social media [th VND]	100,000	200,000	300,000
promotion events [th VND]	20,000	50,000	100,000
accountant [th VND]	24,000	24,000	24,000
Ipads [th VND]	30,000	30,000	40,000
other costs [th VND]	144,000	316,000	590,000
cost total [th VND]	2,285,745	4,785,230	8,767,598
VAT			
income VAT [th VND]	324,456	711,280	1,328,444
cost VAT [th VND]	228,574	478,523	876,760
VAT to pay [th VND]	95,881	232,757	451,684
non-VAT costs			
founders salaries [th VND]	360,000	480,000	480,000
incorporation expenses	20,000	0	0
profit			
EBIT [th VND]	578,811	1,847,575	4,036,842
income tax [th VND]	115,762	369,515	807,368
VAT [th VND]	95,881	232,757	451,684
EAT [th VND]	367,168	1,245,302	2,777,790

Table 41: Return on investment - realistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
ROI	13.77%	23.65%	30.04%

Realistic variant has already significant return on investment and also stable cash flow. Main reason why the company doesn't invest more money into the promotion and expansion is mainly the social media advertising strategy efficiency as current targeting will be executed to the group with the highest probability to buy. Investing more to the advertising wouldn't attract proportional number of potential customers which is the reason for using the budget more efficiently.

Cash flow statement

Table 42: Cash flow - realistic variant. (Source: own processing)

[million VND]	1 st year	2 nd year	3 rd year
cash in year beginning	230	617	1,862
online students income	1,743	3,850	7,174
offline students income	1,502	3,263	6,111
classrooms costs	-216	-324	-540
teachers costs	-1,752	-3,841	-7,174
social media costs	-100	-200	-300
promotion events costs	-20	-50	-100
accountant costs	-24	-24	-24
Ipads costs	-30	-30	-40
other costs	-144	-316	-590
founders salaries	-360	-480	-480
income tax	-116	-370	-807
VAT	-96	-233	-452
cash in year end	617	1,862	4,640

1st year end balance statement

Table 43: First year-end balance statement - realistic variant. (Source: own processing)

ASSETS [million VND]		EQUITY [million VND]	
SHORT-TERM ASSETS	617	LIABILITIES	0
Cash	617		
LONG-TERM ASSETS	0	OWNER'S EQUITY	617
		Registered capital	250
		Net profit for the current period	367
TOTAL ASSETS	617	TOTAL CAPITAL	617

4.9.5 Optimistic variant

Table 44: Financial plan - optimistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
income			
total number of students after attrition	233	740	2158
online students	140	444	1295
offline students	93	296	863
price per online lesson [th VND]	180	180	180
price per offline lesson [th VND]	230	230	230
online students income [th VND]	2,837,016	8,997,394	26,242,398
offline students income [th VND]	2,408,086	7,664,446	22,346,004
total income [th VND]	5,245,102	16,661,840	48,588,402
costs which are subject to VAT			
number of classrooms	2	6	18
cost classrooms [th VND]	216,000	648,000	1,944,000
number of teachers	4	12	36
cost teachers [th VND]	2,832,513	8,997,394	26,237,895
social media [th VND]	100,000	300,000	900,000
promotion events [th VND]	20,000	70,000	130,000
accountant [th VND]	24,000	24,000	24,000
Ipads [th VND]	40,000	80,000	240,000
other costs [th VND]	233,000	740,000	2,158,000
cost total [th VND]	3,465,513	10,859,394	31,633,895
VAT			
income VAT [th VND]	524,510	1,666,184	4,858,840
cost VAT [th VND]	346,551	1,085,939	3,163,389
VAT to pay [th VND]	177,959	580,245	1,695,451
non-VAT costs			
founders salaries [th VND]	360,000	480,000	480,000
incorporation expenses	20,000	0	0
profit			
EBIT [th VND]	1,399,589	5,322,446	16,474,507
income tax [th VND]	279,918	1,064,489	3,294,901
VAT [th VND]	177,959	580,245	1,695,451
EAT [th VND]	941,713	3,677,712	11,484,155

Table 45: Return on investment - optimistic variant. (Source: own processing)

	1 st year	2 nd year	3 rd year
ROI	24.49%	32.43%	35.76%

Cash flow statement

Table 46: Cash flow - optimistic variant. (Source: own processing)

[million VND]	1 st year	2 nd year	3 rd year
cash in year beginning	230	1,192	4,869
online students income	2,837	8,997	26,242
offline students income	2,408	7,664	22,346
classrooms costs	-216	-648	-1944
teachers costs	-2,833	-8,997	-26,238
social media costs	-100	-300	-900
promotion events costs	-20	-70	-130
accountant costs	-24	-24	-24
Ipads costs	-40	-80	-240
other costs	-233	-740	-2,158
founders salaries	-360	-480	-480
income tax	-280	-1,064	-3,295
VAT	-178	-580	-1,695
cash in year end	1,192	4,869	16,354

1st year end balance statement

Table 47: First year-end balance statement - optimistic variant. (Source: own processing)

ASSETS [million VND]		EQUITY [million VND]	
SHORT-TERM ASSETS	1,192	LIABILITIES	0
Cash	1,192		
LONG-TERM ASSETS	0	OWNER'S EQUITY	1,192
		Registered capital	250
		Net profit for the current period	942
TOTAL ASSETS	1,192	TOTAL CAPITAL	1,192

4.10 Business plan evaluation

Key finding after creating the whole business plan is that the establishing the language school in the Ho Chi Minh City center is a valid business idea which can create the high-quality language learning environment which will be profitable for its owners at the same time already from the first year in business even with the pessimistic variant of financial plan. Key aspect will be maintaining the quality and using the resources efficiently in order to reach the calculated values within the financial plan.

CONCLUSION

Main purpose of this master thesis was the business plan creation for the language school in Vietnam, more specifically Ho Chi Minh City center to provide the relevant material for decision of whether to implement this business idea or not.

Master thesis is divided into three parts – theoretical basis, analytical and design part. Theoretical basis chapter contains all needed information for the following two parts creation. Main focus was oriented towards the Vietnamese business environment and relevant legislation in order to be compliant with all the requirements and to have the basis for the further decision of key as company legal form, accounting outsourcing and business founders' shares distribution. Furthermore the latest trends in educational sector were analyzed.

Analytical part handles with the external and internal company factors analysis – using the SLEPT analysis for understanding the social, legislative, economic and political elements outside the company, market analysis in terms of current and potential customers in order to get the customers' insights and plan relevant product and business strategy. Based on the market analysis the target segment was determined and the relevant product and pricing strategy was created.

Key analysis of the competitors is using the Porter's 5 forces model in order to be aware of the threats of the market and how to face them while using the strengths of the company. Key company elements were defined within the resource analysis which determines the financial, human, physical and intellectual pillars of the establishing company. Furthermore the McKinsey 7S framework concept was created to clearly define the future company values. All of the findings were summarized in the SWOT analysis using also its quantitative form and the TOWS matrix.

Design part contains the specific business plan with key company strategies in all aspects – mainly in terms of business description, its organization, commercial, marketing and acquisition plan created in three variants – followed by the risks assessment and their reduction. Final and key element of the business plan is the three variant financial plans which clearly confirm numerically that the business idea is suitable to implement. Even the pessimistic variant of the plan has positive earnings after taxes and return on investment.

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ATTACHEMENTS:

Attachment 1: Potential customer questionnaire. (Source: own processing)

Fields to fill in by business founders:

- **Area of research:**
 - District 1, HCMC
 - District 2, HCMC
 - District 7, HCMC
 - Binh Tan District, HCMC
 - Vung Tau
- **Respondent was able to conduct interview in English:**
 - YES
 - NO

Fields to fill in based on respondents' answers:

- **Main obstacle in learning English:**
 - Money
 - Motivation
 - Time
- **Prefer Online or Offline learning:**
 - Offline
 - Online
- **Reason of learning English:**
 - Career
 - Friends
 - Travelling
- **Age group:**
 - 18-25
 - 26-30
 - 31-35
 - 36+

- **Preferred frequency of lessons per week:**
 - 1
 - 2
 - 3+
- **Price willing to pay per lesson:**
 - 100
 - 150
 - 200
 - 250
 - 300
- **Willing to be contacted:**
 - YES
 - NO