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Bachelor Thesis

Business plan development for a gym

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BACHELOR THESIS ASSIGNMENT

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Business Administration

Thesis title

Business plan development for a gym

Objectives of thesis

The purpose of work is, on the basis of the business plan to prove financial and economic feasibility of creation of the new entity fitness center Empire of Iron.

Methodology

Theoretical part used various methods of literature survey. In the practical part, elementary statistical methods, abstract and logical methods, basic financial analysis methods and structural methods are used.

The proposed extent of the thesis

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Keywords

Business, Business plan, Analysis, Fitness center, Marketing, Advertising, Financial plan, Market, Gym.

Recommended information sources

Berry, T. – The Plan-As-You-Go Business Plan Paperback – August 1, 2008. ISBN 978-1599181905
Golubkov, E. – Fundamentals of marketing. Russia 1999. ISBN 5-8001-0018-7
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VEJDĚLEK, J. – BOWMAN, C. *Strategický management*. Praha: Grada, 1996. ISBN 80-7169-230-1.
Vikhansky, O. – Strategic management. Russia 2006. ISBN 5-98118-055-2

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Declaration

I declare that I have worked on my bachelor thesis titled “Business plan development for a gym” by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 14th March 2017

Sergey Okhman

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Podnikatelský záměr rozvoje posilovny

Souhrn

Tato práce se zabývá zahájením fitness centra v Kazachstánu. Fitness průmysl je v Kazachstánu na jednom z prvních míst v dynamice vývoje. Na začátku práce jsou uvedené informace o úvodu a cíli. Dále se tato práce dělí na dvě části. Teoretická část, kde je vysvětleno vše o plánování a rozvoji podnikání. Jsou zde uvedeny obecné informace o podnikatelském záměru. Druhá část je analytická část, týkající se zřízení nového fitness centra v Kazachstánu. K dispozici je podrobný popis potřebného vybavení, a to i z finančního hlediska: výpočty a předpověď zisku.

Klíčová slova: Podnikání, Podnikatelský záměr, Analýza, Fitness centrum, Marketink, Reklama, Finanční záměr, Trh, Posilovna.

Business plan development for a gym

Summary

This thesis deals with the opening a fitness center in Kazakhstan. Fitness industry in Kazakhstan is one of the first on dynamics of development. In the beginning of the thesis is information about the goal and introduction. This thesis is divided into two parts. The first part is represented by a theoretical background, where is everything about the planning and development of business industry and how to deal with it. There is a general information about business plan. Second is an analytical part, which is about a setting up a new fitness center in Kazakhstan. There is a detailed description materials needed, and from the financial point of view: calculations, forecast of profit.

Keywords: Business, Business plan, Analysis, Fitness center, Marketing, Advertising, Financial plan, Market, Gym.

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1 Introduction

Universal promotion of a healthy lifestyle induces citizens to aim at self-improvement. Today everyone, it isn't dependent on the social status and age, dreams of a slim and beautiful figure. Due to the relative economic stabilization, citizens interest in physical health and active recreation increased that, in turn, explains great demand on this sort of services.

According to the experts, the fitness industry in our country is one of the first on dynamics of development, moreover, about 400 million dollars are traded on the market of fitness services in Kazakhstan, and turnovers of the fitness industry grow for 20-30% a year. In case of a favorable economic situation rapid growth the fitness of the industry is inevitable as each person, can increase quality of the life, going in for fitness, therefore, can be considered as the prospective client that, in turn, determines feasibility of creation of the new entities of a sports orientation in our city. The relevance of creation of the similar entity in Karaganda is caused by need both development of a small entrepreneurship in the region, and support of a healthy lifestyle and physical culture of the population, in a case of almost total absence of worthy competitors in this field.

At this time in our country, particularly in the Karaganda many various sports centers and salons, despite it the choice of the fitness entity open, the worthy modern consumer it is extremely small and rather difficult.

Let's consider some of the common mistakes of many fitness centers:

- the wrong concept and positioning (try to be "everything to everyone");
- wrong pricing policy;
- wrong marketing policy;
- the system of service isn't built;
- untrained personnel;
- unsuccessful location;

gross mistakes in planning, technical solutions, and equipment selection.

For an exception of similar mistakes is necessary to competently draw up a business plan, the purpose of which is to assess the potential risks and ways to reduce them, the selection of the most promising solutions and means for achievement. In addition, the business plan will help to determine specific activities of firm; to formulate a long-term and

short-term goals and objectives, strategies and tactics to achieve their; to determine the persons responsible for strategy implementation; to choose the structure and to determine indicators of goods and services which will be offered by firm to consumers; to evaluate production and trading costs; to reveal compliance of the existing company personnel, motivating working conditions requirements in order to achieve their goals.

2 Objectives and Methodology

2.1 Objectives

The purpose of work is, based on the business plan to prove the financial and economic feasibility of the creation of the new entity - fitness center "Empire of Iron". In addition, for better assessment of feasibility and competitiveness of the created entity it is necessary to solve the following main tasks:

- to characterize the main sections of the business plan and their indicators;
- to characterize evaluation methods of an efficiency of the project;
- to create a marketing plan and project strategy;
- to develop the organizational project plan, the plan for financing, marketing;
- to consider of sales opportunity and planned costs;
- to make a financial and economic efficiency evaluation of the project;
- to estimate risks and sensitivity of the project;

2.2 Methodology

Methods used in this thesis are: first is the methodological method. This method based on the requirements of objective and comprehensive factor analysis of the organization of financial condition. Second are the abstract and logical method allowed to disclose theoretical aspects of assessment of a financial condition and financial stability, to determine the main characteristics of the processes and the phenomena occurring in this sphere. The third is the structural method used for financial analysis and identification of structural changes. Fourth are the application of economic-mathematical and economic-statistical methods allowed to determine organization development tendencies, to estimate their dynamics, to reveal disproportions and contradictions, to predict their further development and methods of increase in financial stability of the organization.

3 Theoretical Part

3.1 Essence and value of planning for the enterprise

At this time, planning activity is an economic basis for the free market of all economic entities and economic units with various forms of ownership. By means of planning a necessary balance between production and consumption of products, a size of market demand for the goods and the volume of proposals now on the macroeconomic level.

Planning of the company is the processing of information on the justification for upcoming activities and identifying the best ways to achieve the company goals.

Planning is a development and establishment by a management of the entity of system of quantitative and qualitative indexes of its development in which it is determined rates, proportions and tendencies of development of this entity both in a current period and for the future.

Plan activities of the company - it means to determine the main directions, and proportions of the development of production considering available material and human resources based on a complete explanation of the required types of market, amounts of goods and terms of their release.

The object of the company is planning its activity, which means the performance of functions of the enterprise: the economic, the social, economic.

The subject of the act of planning the enterprise resources. Resource planning involves the establishment of consumption levels, directions and terms of use, mode of consumption, etc.

There are two approaches to understanding the essence of planning: wide and narrow. In broad understanding, planning consists in acceptance of a complex of the decisions relating to future events. Such decisions can be connected with goal setting and tasks of development of the entity, strategy development, distribution and redistribution of resources, determination of standards of behavior of the entity in the forthcoming period. In the narrow sense, planning

comes down to the creation of special documents - the plans determining specific actions of the entity by the implementation of the made decisions.¹

Planning technology includes:

- determination and reasons for the main objective and the tasks of the entity following from it;
- registration of an objective, establishment of specific indicators and tasks for contractors;
- disaggregation of a task by types and amounts of works, specific workplaces, and completion dates;
- detailed calculations of costs and the received results for the entire period of planning.

3.1.1 Principles of planning

Domestic and foreign experience shows that the underestimation of planning in market conditions or incompetent implementation lead to large, no justifiable economic loss and, ultimately, to the bankruptcy of enterprises. Therefore, the competent economic policy consists in the use of the principles of planning.

Observations for these principles creates prerequisites for effective work of the enterprise and reduces a possibility of negative results.²

The principle of unity - suggests that planning at the enterprise must have a systematic character. The concept of the system, in this context, means:

- the existence of a set of elements;
- the interrelation between them;
- availability of the single direction of the business oriented to common goals.

The principle of participation - is closely connected with the principle of unity and means that each organization member becomes the participant of planned activities irrespective of a position and the function which is carried out by it. In other words, planning process shall attract to itself all those whom it directly affects.

¹ Berry, T.- *The Plan-As-You-Go Business Plan Paperback* – August 1, 2008

² Goremykin V., Bugulov E., Bogomolov A. - *Planning of the enterprise*. Russia 2006 – 328p

The principle of a continuity consists of the following:

- the planning process at the entity should be performed constantly as part of the project lifecycles and the manufactured products;
- systematic adjustments and replanting are necessary;

The principle of flexibility - is closely connected with a planning continuity, consists in giving to plans and planning process of a capability to change the orientation about the emergence of contingencies.

The principle of accuracy - every plan should be drawn up with such a degree of accuracy which is only compatible with the uncertainty hanging over the fate of the company. Thus, the plans need to be fleshed out and detailed to the extent that it allows the external and internal conditions of activity.³

If to consider planning process from the beginning to the end, then it is possible to distinguish the individual phases. Each of phases is characterized by the statement of singular problems and is systemically connected with other phases the sequence of accomplishment and exchange of information. Planning processes includes the following phases:

- formulation of the problem;
- solution;
- execution;
- control and ensuring execution of the decision.

Planning is always based on historical data of the enterprise; it is performed to determine the development of the entity in the long term and to control it. Therefore, the reliability of the plan depends on the accuracy of the actual indicators of the past.

However, planning for any company is based on incomplete data, even if it has a well-established accounting and statistical reporting system. The problem consists of some aspects of the functioning of an economic system don't give into assessment, for example, of action of competitors, economic cycles, strikes, a political situation, etc. Market indicators are initial for scheduling of the entity. Therefore, planning is usually more easily than large enterprises,

³ Osipova M. - *Fundamentals of business*. Russia 2006 - 223 p.

though small businesses are some factors of production are more visible for the leadership than at large. These circumstances give the probabilistic nature of planning.⁴

Since the company can't have all necessary information for creation of the reliable plan, and often and doesn't know about the existence of any basic data, quality of planned decisions significantly depends on the competence and the professional level of planned workers. From this, it follows that the planning system should be structured so that all available factors were used: economical and managerial tools, experience and knowledge of employees.

Planning as a form of the state impact on economy exists practically in all countries. It integrally fits into a market mechanism of managing. It is important to determine what and how to plan the state and that - subjects of managing. To solve this problem, it is necessary to consider planning types.

Types of planning can be qualified on a number of signs. These features are as follows:

- time horizon;
- functional orientation;
- hierarchy of planning and others.

The duration of time for which a plan is called a time horizon. The beginning of the plan matches the beginning of the implementation of the plan. The end of the implementation of the plan can come as well before the termination of the plan. Taking into account the temporary horizon differentiates:

- short-term (current) planning (less than 1 year);
- medium-term planning (from 1 to 5 years);
- long-term (perspective) planning (more than 5 years).

Based on the functional orientation, which is related planning are: marketing planning, production planning, storage planning, supply planning, cash flow planning, investment planning.⁵ Depending on to what purposes of development of the entity planning is directed differentiate three levels:

- strategic planning;

⁴ Berry, T.- *The Plan-As-You-Go Business Plan Paperback* – August 1, 2008

⁵ Goremykin V., Bugulov E., Bogomolov A. - *Planning of the enterprise*. Russia 2006 – 328p.

- tactical planning;
- operational planning.

If to consider strategic planning as a search of new opportunities of the entity, tactical planning should be considered the process of creation of prerequisites for implementation of these new opportunities, and operational scheduling – the process of their implementation.

In conclusion, it is also necessary to note that plans of the decreasing levels in a planning system consistently follow one of another. Formally the tactical plan is removed from strategic, being its disaggregation, and operational - from tactical.⁶

3.2 Strategic planning

Under market conditions, the organization faces many unpredictable factors that cause the need to abandon rigid planning system and the transition to a flexible system of its activities. The implementation of such a path is associated with the development strategy of the organization, which defines the main goals and objectives of their resource and financial support, and techniques to achieve the goals and solve problems.

For the success of the organization as the subject of the market relations should itself define strategic goals and tactical objectives that achieve the plan. Therefore, the first and, maybe, an essential decision in the case of strategic planning is the choice of the organization's objectives.

The caused reason of existence and functioning of the organization is called its mission. For its implementation are developed that serve as benchmarks for all subsequent decision-making. It is difficult to exaggerate the value of a mission which is formally expressed and effectively provided to organization members. If the leaders do not know what the main objective of their organization, then they won't have a logical starting point for the choice of the best alternative. The mission disaggregates the status of the firm and provides the direction and reference points for determination also strategy at various managerial stages and the organizational levels. The concept of organization mission joins the following aspects:

- A task of the company from the point of view of its main services or goods, its main markets, technology, etc.

⁶ Berry, T.- *The Plan-As-You-Go Business Plan Paperback* – August 1, 2008.

- External to the organization environment that determines its working principles.
- Organizational culture, work and social climate in it.⁷

As any organization is an open system, it can survive, satisfying some requirement which is out of it. To earn profit necessary for its survival, the organization should monitor the environment in which we operate. In this environmental organization, leaders need to find a common goal, to formulate its mission. The management must answer two questions: "Who are our customers?" and "What are our customers need to meet?". The choice of narrow organization mission (such as profit, the income, products amount) limits a possibility of a management to study admissible alternatives in case of decision making. The result can be considered the key factors, and subsequent solutions may lead to low efficiency of the organization. It should be noted that values to which the management and its purposes adheres leave a mark on the formulation of a mission and the choice of strategic objectives.⁸ The purposes are a specific condition or desired result sought by the organization. Values are created by experience, education and a social and economic background. They direct and orient the head when he faces the need of adoption of critical decisions. The famous researcher in the field of management I. Anson says that "the strategic behavior is clearly influenced by the values and the behavior is not free from the influence of value orientations, as individuals and organizations prefer certain types of strategic behavior. Theirs express such preference, following a certain line of conduct even if it means losses from the point of view of results".

3.2.1 Tasks of strategic planning and development stages of the strategic plan at the company

The planning process includes not only determination of target figures of the social and economic development of the entity in the current planning period, but also their close coordination with the strategic perspective concept of development of the economy of the national economy of the country.

The strategic plan (concept) allows determining real opportunities of development considering resource restrictions, to reveal quantitative and high-quality consequences that are especially important in operating conditions of market economy. Cumulative information on

⁷ Business area for your development. *Business development* [online]

⁸ Vikhansky, O. - *Strategic management*. Russia 2006.

possible optimal variants of the development of science and technology, economy and culture, costs of resources, required dates of termination of the main stages of works and the list of the participants developing the strategic plan is its cornerstone. All this is impossible without a conceptual study of the future development of the economy, without broad carrying out the preplanned researches directed to receipt of reasonable information on alternatives to the development of the national economy of the country.⁹

Planning is effective if the decisions on important economic issues are considered with its development strategy in the future. In a market economy, it is necessary to observe the principle of continuity. It significantly influences functioning of the economic system in the short and in the longer term. "Long-term planning is not planning of possible consequences of the decisions applied in the present". From here, the economic decisions made in an economic system should be systemically interconnected.

The main objectives of strategic planning are:

- determination of necessary political decisions;
- assessment of the future state of the economy and need for these products;
- assessment of necessary production capacities in the future;
- the provisional estimate of a number of possible capital investments.

Strategic planning includes long-term, medium-term and current plans. Long-term plans are developed from 5 to 15 and more years, medium-term - from 2 to 5 years, and flowing - for 1 year.

In the medium-term plan, indicators are given in more detail in view of the choice of the means necessary for the accomplishment of the tasks set in the long-term plan.¹⁰ It is more specific and detailed. As a rule, the medium-term plan is connected with implementation in the framework of a long-term plan of specific integrated programs.

In the long-term plan, the development strategy of the entity is determined and to contain decisions concerning fields of activity and the choice of activity. The medium-term plan reflects use and distribution of the available resources for the achievement of effective objectives. The strategic plan is proved by quantitative indices and the corresponding calculations.

⁹ VEJDĚLEK, J. - BOWMAN, C. *Strategický management*. Praha: Grada, 1996.

¹⁰ Vikhansky, O. - *Strategic management*. Russia 2006.

The forecast of social and economic processes which can be divided into the forecast of the external environment and the forecast of internal activities of the entity is its cornerstone. As any entity is an element of the system of the market, in the case of development of the strategic plan it is necessary to determine economy growth prospects of the country and certain regions.

In turn, the region is interested in effective work of the entities located in this territory since the payments received by the territory and saturation of the consumer market goods depend on it.

3.2.2 Strategic plan

The strategic plan is proved by specific digital material and the corresponding calculations based on forecasting of internal activities of the entity. At the same time, different options of forecast calculations are performed, and choose the most effective strategic alternatives:

- Strategic planning is usually divided into separate stages, each of which identifies the main activities responsible and participating departments. For the development of planned decisions special committees, the commissions are created or conferences at which interests of participants of implementation of the made decisions are aligned are organized. It is considered as well time factor. It is necessary for interrelation and succession of the perspective plan with the annual plan;
- The obtained credits and other borrowed funds (external sources) must be proved and determined sources of their settlement. For example, in the USA one-third of the amount of financing of soft business is performed at the expense of the credits of bank;
- The planning process in the enterprise is very important to coordinate carefully long-term strategic and routine (annual) planning. In order to implement long-term plans is important for implementation of different levels of planning.¹¹

In the conditions of tough centralization of the made decisions at the entities of various patterns of ownership responsibility for the development of strategic planning is born by the top management. At the same time, the process of development of planned decisions can be

¹¹ Ryakhovskaya A. - *Economics of the firm*. Kazakhstan 2010 – 512 p.

performed according to the following three schemes: from below - up it (is decentralized); from above - down (centralized) and interactive (in interaction).

Planning "from top - down" is characteristic of the diversified entities and means that the purposes, strategy and production plans are initiated in structural divisions. And the planning department of the entity establishes only forms of planned documents and coordinates their activities. This strategy of the company and especially the financial indicators developed his leadership.

Planning "from top - down" is characteristic of the companies specialized in the production of a single type of product. For them, a basic information, tasks of each structural division and the main strategy are created at the level of the company. They form for structural divisions the basis to their further activities and, as a rule, they make up the average development plans.

Interactive planning gained the greatest development now. Here the ideas are created by a management together with planned, production and other departments with the participation of all specialists of the company.

The company's management sets objectives and key activities. The strategy is created in the course of interaction down according to the specially formulated scheme. A number of strategies, such, as the acquisition of the progressive equipment, participation in new projects, etc. are developed by planning department or department of development (strategy).

Thus, the main activities of the entity as an object of long-term planning are:

- development of the purposes and planned reference points;
- studying of requirements, the creation of goods and its removal on the market;
- determination of necessary production volume depending on a market situation;
- creation of distribution channels and promotion of goods, and pricing enhancement;
- determination of the optimum size of financial resources and their use for the achievement of an objective;
- development and implementation of scientific and technical policy for the creation of competitive products and enhancement of technology;
- ensuring necessary reproduction of a labor power and a normal microclimate at the company;
- identification of allowances of increase in production efficiency;

- enhancement of a management system according to requirements of a continuous increase in efficiency of use of material, labor, and financial resources;
- nature protection activities of the company.¹²

In the case of development of the strategic plan interactive planning consists of the following three stages: interactive and standard; development and review; statements and implementations.

The interactive and standard stage begins with forming of the purpose and determination of reference points of development. The existing capacity of the entity is for this purpose estimated and the forecast of development of the external environment is given. As reference points reports on production business activities of the entity, and standard and instructive materials are. These materials are a basis for the development of long-term or medium-term plans at the level of separate structural divisions and offer on forming of the purposes and reference points of development. Coordination of planned targets, strategic approaches and alternatives are performed at a conference or committee meeting on strategic planning.

Consultation of information exchange and collective discussion. The committee of strategic planning analyzes the strategy accomplishment course, and in the case of need, its adjustment. The head of the firm heads the committee on strategic planning.

The stage of development and revision is the most important. There is strategic planning on the answering purpose and reference points approved at the first stage is performed. At this stage, structural divisions develop the strategies, long-term plans, and social programs.

At the diversified company (planning "from down-top") developed plans are adjusted considering the strategy offered by a management (for example, liquidation of separate productions). On specialized enterprises (planning "from top - down") first functional strategies, and then programs for each structural division are developed. Thus, the second stage is an interactive process with various adjustments.

At a final, third stage, statement and the realization "from top - down" the established common goals and the main economic indicators in general on the company (firm) is enabled.

¹² Osipova M. - *Fundamentals of business*. Russia 2006 - 223 p.

At the same time, long-term, medium-term and current plans of development of the enterprise.

The analysis of strategic planning in the countries with the developed market economy shows that it significantly different from each other at various entities. This difference depends on the type of the entity, its industry sector, skill level of a management, the specific situation in the economy at the time of planning, etc.

Development of the long-term plan is performed by the department of strategic planning which task includes accomplishment of the following functions:

- forming of strategic thinking at the company;
- collection and analysis of strategic information;
- development of a general strategy of the company;
- coordination of work of structural divisions of the company on development of functional strategy and programs;
- implementation of the interrelation of strategic and routine planning; control over the accomplishment of the strategic plan.¹³

3.3 Business plan: essence, stages, content

As experience shows, a starting point in business activity, planning the development of existing or creation of new businesses is the idea of a new product or service which this business will make. The idea can appear as a result of the conversion of information from different sources or during the purposeful creative search. It is possible to borrow the ready idea and to give it new life, through the mechanism of acquisition of the existing companies, absorption, the creation of joint businesses or the redemption.

No matter what the idea is and how it is obtained, it is important to weigh carefully it and to estimate to be convinced that it can form the basis of the successful company.

Analysis and evaluation of the business subject to such components as production costs, profits, the market as a marketing object, finance, taxes, etc.

However, the assessment of the individual, even very important parts of the business in a separation from all task will lead to mistakes and, thus increase in risk rather, than will

¹³ Vikhansky, O. - *Strategic management*. Russia 2006.

give the answer to the questions posed. The solution of this problem in world practice is performed by means of the business plan.

The business plan is a document which in a complex, systemically describes all main aspects of the future business activity of the entity, analyzes all problems which it can face, determines the ways of solving these problems. In a market economy, a business plan is a necessary tool for the technical, economic and financial, administrative case studies, including the relationship with the bank, investors, marketing, and intermediary organizations.

The point of a business plan - to construct a model of the functioning of business and to reflect the behavior of this model in the market with goods or a commodity group. Speaking about the commercial success of business, "three whales" usually allocate:

- competitive products;
- careful development of the idea;
- the adequacy of resources.

The solution of all these questions is provided with business planning. Therefore, any commercial action in world practice can begin with the development of the business plan. Only, in this case, the organization of business becomes the reliable case. In the modern practice of an entrepreneurship, the business plan has four main functions.

The first function is associated with the ability to use the business plan for the development of a strategy of business. It plays a special role during the creation of the company, and in the case of development of new activities, helping the head to determine the purposes of the entity and to bend all efforts to achieve these priorities.

The second function is planning. It allows evaluating possibilities of development of new activity, to control processes in the company. The result is the viability and future sustainability of the enterprise reduces the risk.

The third function is connected with the attraction of a money: loans and credits. In modern conditions banks, resolving an issue of allocation of a money, require the provision of carefully worked business plan proving a possibility of their return.

The fourth function is connected with an attraction to the implementation of plans of the company of potential partners, investors.

There are two main approaches to the development of the business plan. The first is that initiators of the project develop the business plan, and methodical recommendations receive at specialists at possible investors. According to foreign practice, such approach is the most preferable. Except authors of the concepts pledged in the business plan in its creation active part is taken by financiers, aware features of the credit market, availability of the disposable capitals, the risk of this business. The basis of a group of specialists in the development of the business plan is constituted by economists, statistics, system analysts.¹⁴

In the case of the second approach initiators of the business plan don't develop it, and act as customers.

A customer of the business plan are the legal entities and physical persons performing business and investing activities which conditions and results are analyzed and predicted in the business plan.

In this case, the customer must be based on a preliminary set of documents defining the directions, conditions, and limitations in the formation of the concept of the project proposal.

Developers of the business plan are:

- the firms specializing in a marketing activities;
- groups of authors;
- individual authors.¹⁵

If necessary, consulting firms and experts agree with the customer. In foreign practice, it is accepted that development of the business plan is performed with the involvement of experts and consultants, but with obligatory participation of managers.

In the transition to a market economy, mastering the art of preparing a business plan is becoming extremely important. The western investors are afraid to deal with the Kazakh entrepreneurs. And not only due to the lack of guarantees, instability of an economic and political country situation as it is considered to be, but also because of nonprofessionally, unconvincingly developed documents, in particular, business plans.

Many Kazakhstan leaders following the advice and recommendations stated in foreign books on the development of business plans met unknown in the West difficulties. Unlike the

¹⁴ How to Write a Business Plan. *9 Easy Steps*. [online]

¹⁵ Goremykin V., Bugulov E., Bogomolov A. - *Planning of the enterprise*. Russia 2006 – 328p.

western countries business planning in Kazakhstan has a number of features. This results from the fact that special literature in which various methodical questions of development of business projects, business plans, business references, generally translated are considered. In it, questions of business planning, in relation to the firms working under laws of the developed market economy are in detail stated. Domestic enterprises have still the brief experience of business planning.

The economic and social situation in which the Kazakh enterprises operate often don't allow them to use directly foreign methodical developments in the case of creation of the business plan. Their adaptation to real economic, social, legal and other conditions of our country is necessary.

At this moment Kazakhstan's legislation doesn't fix obligation of the development of the business plan. For most the Kazakhstan's companies, it is the new document. Today the line item denying feasibility of development of the developed business plan and assuming as an alternative the short feasibility statement is widespread. Sometimes it is considered that lack of the worked business plan can be compensated by knowledge of "depths" of business and an intuition.¹⁶

In modern conditions, such a position can't be sufficient for receipt of investments under specific projects. The terms of the arising market are dictated need of use of the commonly accepted practice of promotion of entrepreneurial projects in other countries for investment. Unfortunately, the Kazakhstan specifics of the investment climate even complicate procedures of the development of business plans and accounting of a row in them difficult predictable factors. It is possible to refer the rates of inflation differing for the indicators estimated in the business plan to them (for example, general inflation, inflation on sale, product cost, the salary, fixed assets, etc., problems of payment of deliveries because of payment arrears crisis, insufficiency of information and statistical data). Foreign experience and still insufficient experience of domestic enterprises show that even in the conditions of a transition period the life which is exposed to economic and legal impacts forces to constitute business plans.

Although there is no legislation expressly requires the development of business plans, today in Kazakhstan adopted a considerable number of decrees and other legal acts that form

¹⁶ Information and legal system of normative legal acts of the Republic of Kazakhstan. *On approval of the Program for the development of the service sector in the Republic of Kazakhstan* [online]

the business enterprise environment. Functioning in it assumes need of development of the business plan for receipt of financing. In crisis conditions of a transition period, the business plan of the entity should solve, first problems of improvement of its financial condition or financial improvement.¹⁷

Thus, the business plan helps the enterprise to solve the following tasks:

- to determine specific activities of the entity, the target markets and the place of the entity in these markets;
- to formulate long-term and short-term objectives of the entity, strategy, and tactics of their achievement. To determine the persons responsible for implementation of each strategy;
- to choose the structure and to determine indicators of goods and services which will be offered by the entity or firm to consumers. To estimate production and trading costs on their creation and implementation;
- to estimate compliance of a personnel of the entity and conditions for the motivation of their work to requirements for achievement of effective objectives;
- to determine the structure of marketing efforts of the entity by market research, advertising, sales promotion, pricing, sales channels, etc.;
- to estimate a financial position of the entity and compliance of financial and material resources to the achievement of effective objectives;
- to provide difficulties and "reefs" which can interfere with the accomplishment of the business plan.¹⁸

In a market economy, there is a set of versions of business plans in a form, content, structure, etc. The greatest distinctions are observed within modifications of business plans depending on appointment: on business lines (products, services, technical solutions), on the entity in general (new or functioning). Despite quite considerable external differences of various options of the structure of business plans, structure and contents of the main sections remained virtually unchanged.

3.3.1 Forms of business plans

¹⁷ Ryakhovskaya A. - *Economics of the firm*. Kazakhstan 2010 – 512 p

¹⁸ Berry, T.- *The Plan-As-You-Go Business Plan Paperback* – August 1, 2008

The most common plants in the form of business plans, as a rule, contain the following sections:

Title page, table of contents. The title page should be laconic and attractive, not contain unnecessary details. On it, the company name, its location, the name of the business plan and date of creation are specified. It is also reasonable to specify data of the addressee (to whom it is directed). The title page has usually placed a memorandum of confidentiality.

CV. The CV is compressed, a quickly readable overview of information on the planned business and the purposes which are set before itself by the entity or the entrepreneur, beginning an own business or developing available. CV is an extremely abridged version of the business plan. The main requirement is a simplicity and laconicism of a statement, a minimum of special terms. It is necessary to achieve a CV memorability: in it is possible to place the drawing or the photo of a product. This section should be developed at the end of the business plan when reached full clarity on all other sections.¹⁹

Description of the company and industry. The purpose of this section to supply to investors with the necessary information on the made goods and its market. The section should be describing the sphere of business and goods which the firm will offer to sale, nature of an industry and a market situation for the made goods.

In the case of the description of an industry, the status and the prospects of development of an industry are represented. The new products or achievements, the new markets and buyers, new requirements, the new companies and other, economic and socio-political tendencies and factors capable of exerting a positive and negative impact on project implementation, and a possibility of an entry of business into foreign market are described. In the case of the description of the firm the sphere in which the firm works or which it intends to enter is briefly described; it is specified who is or intends to become its main buyers.²⁰

For a newly company is important to determine the reason of confidence in success and to show a work experience in this sphere. It is desirable to provide feedbacks about prospects of the project from competent experts in the field.

Description of goods (service). In this section of the business plan all goods and services of a firm which are offered on the market customers.

¹⁹ Maslov V. - *Strategic management of personnel in conditions of effective organizational culture*. Russia 2008 - 288 p.

²⁰ Corporate Fitness. *Health Club Business Plan*. [online]. [cit. 2017-02-09].

Writing of this section is preceded by considerable preliminary work on the choice of goods or services which should be the basis of the firm's business.

Assortment planning of goods (services) is the most important function of management of the firm. First, possibilities of the firm must be considered here: production, financial, material resources; products distribution system; qualification of the available personnel, etc.

Further requirements of the market and the requirement of potential buyers to the performance of the goods.

An analysis of information on the company and market requirements, the opportunities the company can choose the range, adapting it to the individual market segments. This determines the place that each item takes on the market among the goods-analogues and competing products.

Analysis of the market. One of the main objectives of determination of reservoir of each specific market for each good (service). These indicators will characterize possible sales volumes of goods (services). They are determined by quantity (mainly in pieces) the realized or potentially implementable goods (services) during the certain period.²¹

For this purpose, it is necessary to make at first overall assessment of potential reservoir of this market, i.e. to determine a total cost of goods which buyers of this region can purchase for a certain period (month, quarter, year).

As a result of such analysis the entrepreneur will be able to determine, eventually, the number of clients which he can expect, for example, in a month. But to calculate they don't mean to receive therefore also an assessment of actual sales volume is necessary. I.e. it is necessary to estimate how many the entrepreneur will be able to sell (to gain for the rendered services) under the available conditions of his activities, possible costs for advertising and that price level which he intends to establish and as this indicator can change month after month, quarter after a quarter for several years forward.

Competitors. For assessment of potential competitors in the market, it is necessary to determine large producers of similar products, to estimate the quality level of their products and compliance to its requests of consumers, its design, a variety of nomenclature, etc. It is important to have information on the level of prices for products of the rival entities.

²¹ Kotler F. - *Fundamentals of Marketing*. Russia 2005 - 656 p

Assessment of the competitors should be carried out extremely soberly. To specify those gaps in their strategy or quality characteristics of goods (services) which open real chance to achieve success for the entrepreneur.

Analyzing the competitors, it is necessary to try to consider all factors influencing demand of buyers and to try to satisfy their requirements.²²

Production plan. This section of the business plan prepares only that firm which is going to be engaged in production. The section should show that the entity can make necessary product quantity in the necessary terms and with required quality.

It is desirable to provide data of this section in the long term for 2-3 years ahead, and for major companies even for 4-5 years.

For newly created companies it is reasonable to give information on their location. It is especially important for the firms creating a big load of the environment and for small firms of trade, service, and public catering.²³

Marketing plan. In this section, the firm needs to explain to potential partners or investors basic elements of the marketing plan. Strategic planning determines the strategy of the firm regarding goods, the markets, development of various productions. Now it is necessary to develop own disaggregated plans for each goods. It will be planned for the release of separate goods or groups of goods, plans of market activities, development plans for specific productions for new goods, etc. All set of these plans is also "marketing plan".

In the case of plan development of marketing it is necessary to provide the maximum adaptation of production to market requirements, active impact on the market and the consumer by means of all available means (goods quality, advertising, service, the price, etc.). It is necessary to show that the entity is capable of bringing the product to the consumer.

The purpose of this section to show that in the market there are enough consumers of these products, to prove that consumers will prefer these products or trademark to competitors, to show what it is necessary to place the main emphases in the strategy of advertising on, and sales of products, in price policy.²⁴

²² Popov V., Lyapunov S. - *Collection of business plans with recommendations and comments*. Russia 2006 — 336 p.

²³ Thierry Burger-Helmchen - *Entrepreneurship - Born, Made and Educated*. 350 p.

²⁴ Golubkov, E.- *Fundamentals of marketing*. Russia 1999.

Organizational plan. The organizational structure of management of the company, recruitment sources are determined, the administrative personnel, personnel policy are created.

One of the major moments is the organizational scheme of the firm from which it should be accurately visible: who and what will be engaged in as all services will interact among themselves and as it is planned to coordinate and control their activities.

At least development of the system of matching, arrangement, and use of personnel is important for work of the firm. Therefore, the entrepreneur already at the initial stage of creation of firm needs to develop qualification requirements to personnel, and all documentation regulating processes of hiring, use, and dismissal.²⁵

Financial plan. This section considers questions of financial provision of activities of the firm for the most effective use of a money based on an assessment of the current financial information and the sales forecast of goods in the markets in subsequent periods.

Here it is necessary to develop set of the following planned and reporting documents:

The operating plan (report) - reflects results of interaction of firm and its target markets on each good and the market for every period.

The plan (report) of the income and expenses for production of goods shows whether the firm will get profit on the sale of each of goods. According to this plan, it is possible to compare various goods on profitability to make the decision on the feasibility of their further production. It determines in general on how many effectively the firm works.

The plan (report) of cash flow shows receipts and a funds expenditure during activities of firm i.e. how much money there is at the disposal of the firm and what need for them.

The balance statement (plan) sums up the result of economic and financial work of firm for the accounting period. In the specified planned and reporting documents the planned and received sizes of indicators for the accounting period are reflected. The duration of scheduled periods, depending on the specific conditions can change in limits: month, quarter, year.

The strategy of financing. The plan of receipt of means for creation or expansion of the entity is provided in this section. At the same time, it is necessary to decide how many it is

²⁵ Raitsky K. - *Economics of organizations*. Russia 2008

necessary means for implementation of this project, to determine a source and a form of receipt of money when it is possible to expect the complete return of invested funds and receipt of the income by investors on them. Financing by means of crediting is preferable to the projects characteristic expansion of production within already operating plants. There guarantees material security for loans from existing assets.²⁶

Risks assessment. The purpose of a risks assessment comes down to reasons for feasibility and possible safety of investment of capital of potential participants and, the main thing, development of measures for protection against possible losses. The questions connected with risks, their estimates, forecasting and management of them are very important since investors (creditors) of firm want to know what problems the firm can face and as it assumes to get out of the current situation. The depth of the analysis of risk-taking of the case depends on a specific type of activity of firm or size of the project.

The main thing is the ability of the entrepreneur in advance to foresee all types of possible risks which it can face sources of these risks and the moments of their origin. And then, to develop measures for reducing a number of these risks and minimization of losses which they can cause.

The main advantage of business planning is that correctly constituted business plan shows the prospect of development of the company, i.e., eventually, answers the most necessary question for the businessman: whether it is worth investing money in this case and whether it will bring in incomes, who will pay for all the costs and capabilities.²⁷

²⁶ Dontsova L., Nikiforova N. - *Complex analysis of financial statements*. Russia 2005 – 442p.

²⁷ Franco M. - *Entrepreneurship - Practice-Oriented Perspectives*. 184 p.

4 Practical Part

4.1 Development of the business plan

4.1.1 Description of the object of the research

Fitness center is a separate structure. In this building, there are platforms for sports, CrossFit, gyms, halls for occupation, solarium and other types of halls, being engaged in which, the person is capable purchasing the necessary physical shape, to strengthen a body, to make it slenderer.

The fitness - the Empire of Iron center is the owner the person registered as, the individual entrepreneur. Type of activity - provision of services in the sphere of fitness services. The firm assumes tenancy of 600 m². The purposes of expected business - provision of fitness services and receipt of the greatest possible profit.

Prospects of development of the company: in the future - a possibility of expansion of the entity, increase in production volumes.

Main benefits and uniqueness of expected business:

- Use of the maximum number of the provided services;
- Non-saturation of the market of the chosen field;
- A small number of competitors;
- In the immediate area, there is no a fitness center.

Relative growth of a welfare of the population revives demand for this sort of services. A commercial preamble of the project is absence in the city of the hall for middle class. The purpose of the organization of the entity – to occupy this niche.

4.1.2 Determination of the purpose and strategy of the entity

The mission of the business is the opening of the new fitness center capable of satisfying the population practically with all groups of services, for reasonable prices; in the creation of new workplaces in service trade and creation of more comfortable working conditions.

Table 1 - The main objectives of the company

hierarchy of objectives	Local goals, indicators
Market conquest	Market share, turnover, role and importance of services, scope of new consumers
Profitability	Profit, profitability of an equity
Social goals	Job satisfaction, income level and social protection, new workplaces
Prestige and position in the market	Independence, image, public recognition, requirements satisfaction of consumers

Source: own computation

Table 2 - Business purposes

Field	Purposes	Tasks
Marketing	Involvement of highly profitable clients on various groups of services	Studying of demand of the final consumer. Market research. Market segmentation. Positioning
Production	Service quality improvement	Provision of modern equipment. Create a comfortable working environment
Staff	Creation of new workplaces Salary increase	Expansion of activities
Financial resources	Increase income	Rational space utilization. Organization of financial control

Source: own computation

4.1.3 Business description

In the opened company, it is planned to organize four gyms (two gyms, the hall of the box and the hall of aerobics), solarium, bar, two locker rooms and two shower cabins. Thus, the total area of rooms under the organized company should be constituted at least 600 m². Gym. There are two gyms 200 m² and 150 m².

Power training with the use of modern exercise machines under the leadership of the instructor, creation of the individual training plan. Includes:

- individual campaign for each person;
- control of the technology of accomplishment of exercises, statement of the correct breath;
- planning of healthy nutrition;
- achievement of good results.

The task of the gym – address the impact on groups of muscles and separate muscles. Power training on exercise machines, with dumbbells, bars of different scales, various shock-absorbers purposefully change a body, turn into athletic. Our equipment will suit both the athlete, and the beginner, and even the fragile girl.

Equipment:

- Cardiovascular machines. They improve work warmly - vascular and respiratory system, develop and support primary groups of muscles in a tone, adjust a figure and burn subcutaneous fat.
- An exercise bicycle, racetrack, stepper, elliptic exercise machine, rowing exercise machines, vibrating massager.
- • Power simulators. Are intended for development of a physical force, building-up of muscle bulk and combustion of excess fat - to giving to a body of perfect proportions. The power center, a power bench, butterfly stroke, a biceps/triceps the machine, a press legs, a bench for a press, a press bench.
- Accessories. Dumbbells, bars, hoops, balls gymnastic, jump ropes, expander

Halls of boxing and aerobics. Two halls the boxing and aerobics are two gyms with an area of 60 m² and 40 m² respectively. Group training with the use of various sports accessories under the direction of fitness of the instructor and boxing coach, and the creation of individual occupations of boxing.

In halls of boxing and aerobics there will pass different types of the directions:

- Yoga (a yoga lesson) includes sets of exercises for improvement of flexibility and a bearing, improvement of quality of work of respiratory system, and antistress exercises. It is recommended for all levels of readiness.

- • MAKEBODY is the complex training oriented to increase in muscular force, endurance, coordination, and balance. Exercises are constructed by the principle from simple to difficult, learn a body to be managed, and make active a large number of muscles, both large, and small.
- Pilates - for those who was tired of jumps and races, the lesson directed to a training of a muscular corset, development of flexibility of a body and mobility of a backbone. It is recommended for all levels of readiness.
- STRETCH - a training is directed for flexibility development. Perfectly recovers forces after the intensive training, takes off fatigue and a stress.
- CrossFit – super sets of a circular training, involves all groups of muscles.

Fitness bar. To relax after the training, to drink oxygen cocktail or tea, the fitness center offers the comfortable minibar.

Menu:

- Oxygen cocktail. The drink oxygenated to an "air" condition. Represents a set of oxygen bubbles. After the use of cocktail, bubbles release the oxygen containing in them which through walls of a stomach arrives in blood. Its digestibility through walls of a stomach is much higher than through lungs - thanks to it there is a strengthened blood enrichment oxygen.
- Fresh juice.
- Health drink. Includes addition of different types of the vegetable herbs useful to health.
- Protein cocktail. Cocktail is enriched with vitamins and minerals. It is recommended for recovery of forces and energy after the intensive training, promotes the growth of muscle bulk in case of fitness classes.

Solarium. To remain happy appearance, it was necessary to add to the trained, elastic body it is a little sunburn.

Every three months, it is planned to close the enterprise for capital cleaning and at the same time to carry out accounting and planning.

On reception, there will be an administrator who will be able to help with consultation and will also note receipt of people to the hall.

The instructor of gyms will work with changes for 6 hours and a half of hour for a lunch. The working schedule of instructors will be constituted by the administrator for the week ahead

The subscription in the gym of Empire of iron can be purchased at reception. Not to wait in line it will be possible to purchase the subscription online.

4.1.4 Market strategies.

The enterprise will work from 8 am to 10 pm. To visit you will need to purchase a subscription. Subscriptions will be divided into the main types:

- 8 visits to the gym for a month,
- 8 visits to the aerobics room during the month,
- 12 visits to the gym for a month,
- 12 visits to the aerobics room during the month,
- unlimited visits to the gym and aerobics room during the month and so on.

Independence of the season ticket, the price will change, eight one-time will be cheaper than twelve one-time for 20%, and the non-limited visit will be cheaper than twelve one-time for 15%. Thus, visitors will be encouraged to purchase the subscription of twelve one-time or non-limited visiting.

A significant difference from competitors will be that there will be new high-quality simulators at an intriguing price for a subscription.

After the opening of the company, it is reasonable to wage an advertising campaign on local television. It will give to potential consumers an evident idea of again opened the center, costs of visits and conveniences which are available in the center. Despite the high cost of TV advertising, costs for it will pay off.

After the first two months of work, it is necessary to analyze load of halls. As a gift, it is possible to offer a free cocktail.

4.1.5 Organizational structure of the company

Ability and skills of key figures of administration supplement each other therefore the effective team of heads is formed, shown below (Chart 1).

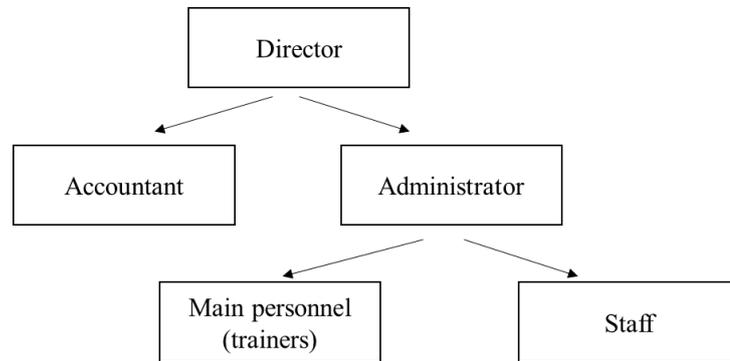


Chart 1 - Organizational structure of the company

Source: own computation

Description of exact obligations and responsibility of each key team member:

- The director independently resolves issues of activities of the entity, acts on its own behalf, has the right of the first signature, disposes of property of the entity, performs acceptance and dismissal of workers. Has the higher economic education.
- The accountant conducts economic activity of the entity and financial accounting. Has the higher economic education, has a work experience in the similar organization 4 years.
- Trainers and instructors individually are engaged with clients, select a set of exercises, the most suitable for the person, considering his medical indicators. Conduct sports lessons and lessons of fitness. Have the higher education, ended professional development course. Work experience at least 2 years.
- Administrators watch safety of material values, serve clients, timely report on defects. Have secondary technical education.
- Cleaners monitor the cleanliness and order in the company.

Then will consider how compensation of employees will be performed. Everyone have 7-hour business week proceeding from what, basic salaries are established. The exception is constituted only by cleaners which work every other day.

Base pay rates are established to the employees according to the staff list. Awards are paid monthly if following the results of work loading of halls more than 90% was provided.

In the end of the year the management considers the possibility of payment of a one-time award to all workers following the results of work in a year, the size of the payment is equal to the size of a base pay rate.²⁸

4.2 Marketing plan

4.2.1 Market analysis

The analysis of the future market is one of the most important stages in the preparation of business plans, and no money, energy or time can be spared for such work. Experience shows that failure of the majority of the commercial projects which failed over time was connected with weak market research and revaluation of its capacity.

Although on a number of the citizens involved in sports, Kazakhstan considerably yields to the USA and the European countries, growth rates of the domestic market of fitness services are prompt. The number of supporters of an active lifestyle in Kazakhstan increases every year. First, in the market of fitness services, the niche "premium" was created. But they want to lead a healthy lifestyle not only wealthy people but also middle class. They will provide in the future the main surplus to the market as the average segment began to develop actively now.²⁹

An active group of visitors is young people up to 30-35 years old, 40 years are more senior than people to meet in fitness club rather difficult. Keeping fit and weight reduction - one of the main reasons for visiting a fitness club.

The market of fitness services in the city Karaganda is far from saturation. Demand is satisfied for only 30-40%. The absence of a fierce competition allows creating the prices without looking at the cost of services of rival clubs.

According to the data in the city, there are about 4 fitness centers (except for individual gyms).

The main criterion of a leading position of the club in the market is a degree of its popularity when people talk about it and recommend it to friends.

²⁸ Raitsky K. - *Economics of organizations*. Russia 2008

²⁹ Kotler F. - *Fundamentals of Marketing*. Russia 2005 - 656 p.

Two of the most famous and serious fitness centers "Sportika" and "Delux" have been open for a long time, and have a strong position.

Still, specialists note a demand of the clubs located in dormitory areas near the house. This direction, despite the crisis, tends to growth. For this reason, experts are sure that small clubs won't stop the existence until on them there is a demand, first, from lower-income, for example, the pupils and students who don't have own earnings and depending on the income of parents. Consider the demand for fitness services of our enterprise and competitors in quantitative terms. Note that our fitness center Empire of Iron is in a new shopping center.

According to the population census of 2016, 507 643 thousand people live in the city, 443 325 thousand people (87.3%) of them from 16 to 60 years old. According to the group of experts, 5% of the population use fitness services from the entire population, therefore 22 166 thousand people can use our services in this area.

Also, the statistics of visits to the fitness centers of competitors was carried out. Data it is representable in the (chart 2).

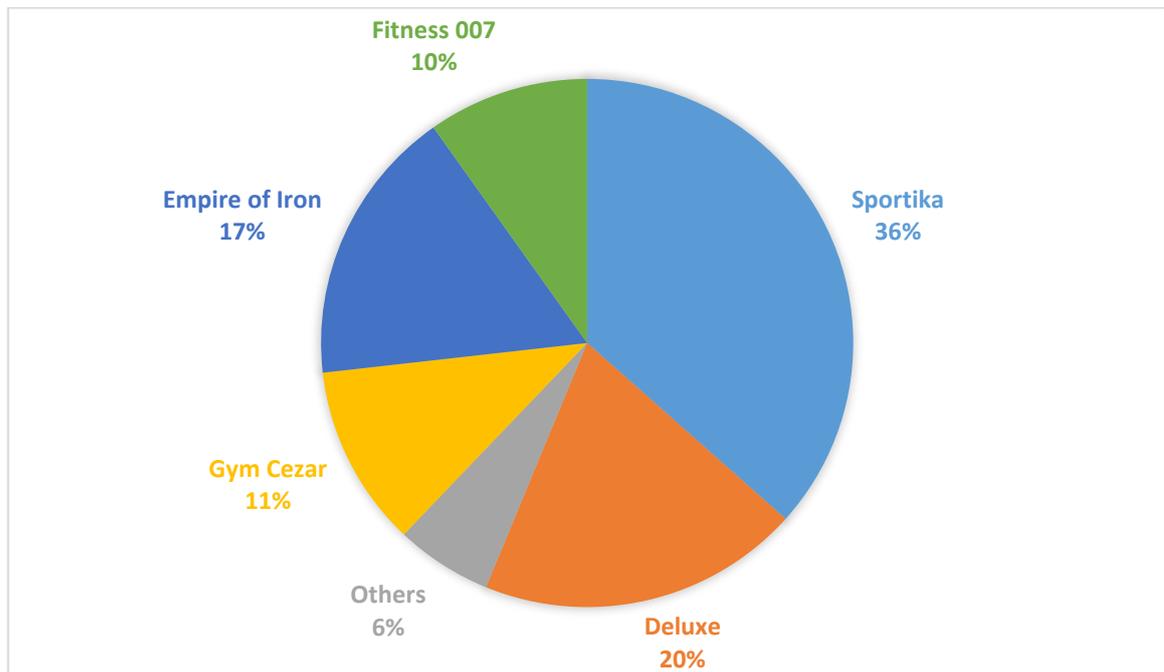


Chart 2 – Statistics of visits of the fitness centers

Source: own computation

4.2.2 Analysis of competitors

Table 3 - Comparative analysis. Pros and cons of the parties of the opened entity before competitors

Name of fitness center	Strong points	Weak points
Fitness007	Hall of aerobics. PUMP direction. Gym.	Lack of a sauna. Paucity of advertising.
Sportika	Two halls of aerobics. Two gyms. Children's game room. Services of the nutritionist, psychologist. Individual and corporate occupations. Sauna. Bar. Solarium.	Paucity of advertising. Poor transport availability.
Deluxe	Gym. Hall of aerobics. Sauna	Paucity of advertising.
Gym Cezar	Sports program. Boxing Hall. Massage room. Gym.	Paucity of advertising. Hall of aerobics. Recently appeared in the market.
Empire of Iron	Two gyms. Boxing hall. Hall of aerobics. Solarium. Bar.	Lack of famous and reputation.

Source: own computation

Apparently in table 3, at the fitness center “Empire of Iron” strengths points prevail over weak, therefore, it is possible to draw a conclusion that he will be able to enter and survive in the market.

Then, consider the competitiveness of the services offered through a scoring system, comparing them with the services of competitors' fitness centers. Based on a comparative analysis of competitors. Criteria for analysis are the availability of a gym, an aerobics room, a price, discounts, additional services and advertising. For each criterion, one of the following three ratings is possible: very good (3 points), good (2 points) and bad (1 point).

Table 4 - Analysis of competitors

Criterion	Fitness007	Sportika	Deluxe	Gym Cezar	Empire of Iron
Gym	2	3	3	1	3
Hall of aerobics, Boxing hall	1	2	1	3	2
Discounts/promoti	2	3	2	3	2

ons					
Advertising	2	3	2	1	2
Additional services	2	3	2	2	2
Prices	3	2	3	2	3
Total	13	16	13	12	14

Source: own computation

According to Table 4, we can conclude that the opening fitness center takes a good position among competitors. The main competitor is "Sportika". But the fitness center in the future expects to gain fame through advertising, which means that it is possible to take a leading position.

4.2.3 Advertising

Advertising is necessary for successful entry of the entity into the market. Advertising is the most efficient tool in attempts of the entity to modify the behavior of buyers, to draw their attention to its goods and services, to create a positive image of the entity, to show its usefulness and need. Involvement of prospective clients becomes the purpose of advertising. The services provided by the fitness center will be the object of advertising. Advertising will be directed to the clients living in the city of Karaganda and the area.

During the advertising campaign, it is planned to use advertisements in mass media, leaflets on various organizations of the city, advertising in a public transport. By means of advertising, the entity will try to influence a buyer opinion, to attract their interest in the offered services. The table shows data on the one-time and current costs for an advertising campaign for the organization of a fitness center.³⁰

³⁰ Matantsev A. - *The effectiveness of advertising*. Russia 2007 – 416 p.

Table 5 - Advertising costs

	<u>Advertising Costs</u>	<u>Frequency</u>	<u>\$</u>
1	Advertising in newspaper		
	- placement	monthly	\$ 45
2	Advertising in the internet		
	- placement	monthly	\$ 100
3	Leaflets and business cards		
	- production	monthly	\$ 60
	- realization	monthly	\$ 35
4	Signboard		
	- production	one-time	\$ 110
5	Banner	monthly	\$ 200
6	Advertising in the bus	monthly	\$ 170
	Total costs		
	one-time		\$ 110
	for month		\$ 610
	for year		\$ 7 430

Source: own computation

Apparently, from the table, one-time costs for advertising will be 110 USD current – 610 USD, in a year of advertising costs, will be 7 430 USD.

4.2.4 Production plan

Start - up costs are necessary to set the fitness center. The start – up costs are as follows: equipment procurement, solarium, bar, reception, office, shower room, locker room, wc, costs of concomitant materials, organizational costs and repairmen costs. Table 6 shows startup cost of the project.

Table 6 – Start – Up Costs

	<u>Start - up Costs</u>	<u>\$</u>
1	Equipment	\$ 50 000
2	Solarium	\$ 10 000
3	Bar	\$ 2 000
4	Reception	\$ 8 000
5	Office	\$ 3 000
6	Shower room, locker room, WC	\$ 12 000
7	Concomitant materials	\$ 2 000
8	Organizational costs	\$ 1 000
9	Repairment costs	\$ 8 000
	Total:	\$ 96 000

Source: own computation

A number of initial costs will be \$ 96 00. The organizational costs include the registration of a legal entity as an individual entrepreneur. Equipment costs, sports stock, and repair. To cover initial costs, the entity will use own means in the amount of 56 000 USD and loan (a long-term loan for 2 years) in the amount of 40 000 USD. Current costs are provided in the table.

Table 7 – Current costs

<u>№</u>	<u>Month</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Total</u>
1	Salary	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 3 930	\$ 47 160
2	Insurance	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 7 200
3	Rent	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 48 000
4	Advertising	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 610	\$ 7 320
5	Payment of communal services	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 9 600
6	Stationery	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 1 800
7	Loan	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 2 166	\$ 25 992
8	Production in the bar	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 24 000
9	Replacing lamps in the solarium	\$ 400					\$ 400						\$ 400	\$ 1 200
	Total	\$ 14 656	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 656	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 656	\$ 172 272

Source: own computation

Current costs of the project are 172 272 USD. A number of current costs per month are going to be 14 656 USD. Salary compensation for employees includes all employees' salaries and insurance premiums of 10%.

Table 7.1 – Salary Rates for Employees

<u>Position</u>	<u>Number</u>	<u>Payment</u>	<u>Salary</u>
Director	1	time-rate pay	\$ 600
Accountant	1	time-rate pay	\$ 380
First administrator	1	time-rate pay	\$ 400
Instructor	5	time-rate pay	\$ 300
Administrator	2	time-rate pay	\$ 250
Security	1	time-rate pay	\$ 150
Cleaner	2	time-rate pay	\$ 200
Total	13		\$ 3 930

Source: own computation

Therefore, the planned salary fund per month is 3 930 USD. Further, are provided the table 8 "The planned amount of visits by customers" and the table 9 "Sales of services".

Table 8 - The planned amount of visits by customers

<u>The planned number of visits (people)</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Total</u>
One-time visit (gym)	300	300	300	250	450	400	400	450	300	200	200	200	3750
One-time visit (hall of aerobics)	200	200	200	250	300	300	200	250	250	100	100	100	2450
Season ticket of 8 visits per a month (gym)	50	50	50	105	110	110	115	115	110	50	40	40	945
Season ticket of 8 visits per a month (hall of aerobics)	40	60	60	55	55	55	50	40	40	35	30	30	550
Season ticket of 12 visits per a month (gym)	90	90	80	80	115	115	125	125	120	60	60	50	1110
Season ticket of 12 visits per a month (hall of aerobics)	50	50	40	40	60	65	60	60	50	30	20	10	535
Non-limited: (gym)	50	40	40	30	40	40	45	35	25	15	15	15	390
Non-limited: (hall of aerobics)	10	10	10	20	10	10	12	15	15	5	5	5	127
Gym + aerobics	60	50	50	50	50	50	47	50	40	20	20	20	507
Club card: 3 months	15	15	15	20	22	25	15	15	15	12	10	10	189
Club card: 6 months	4	4	4	8	2	4	4	4	4	3	2	2	45
Club card: 12 months	6	8	8	4	5	6	4	3	3	1	1	2	51
Bonus - program for "students"	100	100	100	150	50	50	50	50	50	100	100	100	1000
Bonus - program for "beauty"	7	7	7	10	5	5	7	7	7	5	5	5	77
Total	982	984	964	1072	1274	1235	1134	1219	1029	636	608	589	11726
Solarium	200	200	200	200	200	200	200	200	200	200	200	200	2400
Total	200	200	200	200	200	200	200	200	200	200	200	200	2400
Bar: - "Oxygen cocktail"	300	300	300	300	300	300	300	300	300	300	300	300	3600
- Drink "health"	200	200	200	200	200	200	200	200	200	200	200	200	2400
- Fresh juice	500	500	500	500	500	500	500	500	500	500	500	500	6000
- Protein cocktail	200	200	200	200	200	200	200	200	200	200	200	200	2400
- Energy drink	100	100	100	100	100	100	100	100	100	100	100	100	1200
- Low-calories cocktail	300	300	300	300	300	300	300	300	300	300	300	300	3600
- Milk shake	200	200	200	200	200	200	200	200	200	200	200	200	2400
- Tea	300	300	300	300	300	300	300	300	300	300	300	300	3600
Total	1900	2100	25200										

Table 9 - Sales of Services

The planned number of visits, \$	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Total
One-time visit (gym)	\$ 1 500	\$ 1 500	\$ 1 500	\$ 1 250	\$ 2 250	\$ 2 000	\$ 2 000	\$ 2 250	\$ 1 500	\$ 1 000	\$ 1 000	\$ 1 000	\$ 18 750
One-time visit (hall of aerobics)	1000	1000	1000	1250	1500	1500	1000	1250	1250	500	500	500	\$ 12 250
Season ticket of 8 visits per a month (gym)	\$ 1 750	\$ 1 750	\$ 1 750	\$ 3 675	\$ 3 850	\$ 3 850	\$ 4 025	\$ 4 025	\$ 3 850	\$ 1 750	\$ 1 400	\$ 1 400	\$ 33 075
Season ticket of 8 visits per a month (hall of aerobics)	1400	2100	2100	1925	1925	1925	1750	1400	1400	1225	1050	1050	19250
Season ticket of 12 visits per a month (gym)	\$ 4 500	\$ 4 500	\$ 4 000	\$ 4 000	\$ 5 750	\$ 5 750	\$ 6 250	\$ 6 250	\$ 6 000	\$ 3 000	\$ 3 000	\$ 2 500	\$ 55 500
Season ticket of 12 visits per a month (hall of aerobics)	\$ 2 500	\$ 2 500	\$ 2 000	\$ 2 000	\$ 3 000	\$ 3 250	\$ 3 000	\$ 3 000	\$ 2 500	\$ 1 500	\$ 1 000	\$ 500	\$ 26 750
Non-limited: (gym)	2750	2200	2200	1650	2200	2200	2475	1925	1375	825	825	825	\$ 21 450
Non-limited: (hall of aerobics)	\$ 550	\$ 550	\$ 550	\$ 1 100	\$ 550	\$ 550	\$ 660	\$ 825	\$ 825	\$ 275	\$ 275	\$ 275	\$ 6 985
Gym + aerobics	3600	3000	3000	3000	3000	3000	2820	3000	2400	1200	1200	1200	30420
Club card: 3 months	\$ 2 400	\$ 2 400	\$ 2 400	\$ 3 200	\$ 3 520	\$ 4 000	\$ 2 400	\$ 2 400	\$ 2 400	\$ 1 920	\$ 1 600	\$ 1 600	\$ 30 240
Club card: 6 months	\$ 1 200	\$ 1 200	\$ 1 200	\$ 2 400	\$ 600	\$ 1 200	\$ 1 200	\$ 1 200	\$ 1 200	\$ 900	\$ 600	\$ 600	\$ 13 500
Club card: 12 months	3300	4400	4400	2200	2750	3300	2200	1650	1650	550	550	1100	\$ 28 050
Bonus - program for "students"	\$ 4 000	\$ 4 000	\$ 4 000	\$ 6 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 4 000	\$ 4 000	\$ 4 000	\$ 40 000
Bonus - program for "beauty"	\$ 350	\$ 350	\$ 350	\$ 500	\$ 250	\$ 250	\$ 350	\$ 350	\$ 350	\$ 250	\$ 250	\$ 250	\$ 3 850
Total	\$ 30 800	\$ 31 450	\$ 30 450	\$ 34 150	\$ 33 145	\$ 34 775	\$ 32 130	\$ 31 525	\$ 28 700	\$ 18 895	\$ 17 250	\$ 16 800	\$ 340 070
Solarium	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 600
Total	\$ 50	\$ 600											
Bar: - "Oxygen cocktail"	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 7 200
- Drink "health"	600	600	600	600	600	600	600	600	600	600	600	600	7200
- Fresh juice	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 2 000	\$ 24 000
- Protein cocktail	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 9 600
- Energy drink	200	200	200	200	200	200	200	200	200	200	200	200	2 400
- Low-calories cocktail	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 7 200
- Milk shake	400	400	400	400	400	400	400	400	400	400	400	400	4800
- Tea	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 3 600
Total	\$ 5 500	\$ 66 000											
TOTAL	\$ 36 350	\$ 37 000	\$ 36 000	\$ 39 700	\$ 38 695	\$ 40 325	\$ 37 680	\$ 37 075	\$ 34 250	\$ 24 445	\$ 22 800	\$ 22 350	\$ 406 670

Source: own computation

The expected number of people which will use services of the fitness center is shown in table 8. The number of people changes depending on a season (or month). Data are provided on all types of service separately.

Table 9 shows the calculations of from all types of services. Revenue is provided for the fitness center in general, as well as for each type of service separately.

4.3 Financial plan

The financial section is one of the most important sections of the business plan, as it is the main criterion for the investment project to be implemented. The financial plan is necessary for control the financial security of the investment project at all stages of its implementation and reflects the forthcoming financial costs, sources of their coverage and

expected financial results, and the results of calculations that are carried out in its development in a certain sequence.³¹ The financial plan includes such tables as Income Statement, Cash Flow Statement, and NPV. All financial indicators are provided in a tabular form.

Table 10 – Income Statement

<u>Income Statement</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Total</u>
Sales	\$ 36 350	\$ 37 000	\$ 36 000	\$ 39 700	\$ 38 695	\$ 40 325	\$ 37 680	\$ 37 075	\$ 34 250	\$ 24 445	\$ 22 800	\$ 22 350	\$ 406 670
Cost of Goods Sold & Operating Cost	\$ 14 656	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 656	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 656	\$ 172 272
Operating Profit	\$ 21 694	\$ 22 744	\$ 21 744	\$ 25 444	\$ 24 439	\$ 25 669	\$ 23 424	\$ 22 819	\$ 19 994	\$ 10 189	\$ 8 544	\$ 7 694	\$ 234 398
Tax (20%)	4338,8	4548,8	4348,8	5088,8	4887,8	5133,8	4684,8	4563,8	3998,8	2037,8	1708,8	1538,8	46879,6
Net profit	\$ 17 355	\$ 18 195	\$ 17 395	\$ 20 355	\$ 19 551	\$ 20 535	\$ 18 739	\$ 18 255	\$ 15 995	\$ 8 151	\$ 6 835	\$ 6 155	\$ 187 518

Source: own computation

Table 11 – Cash Flow Statement

Cash Flow Statements	"0"	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Total</u>
Inflow														
Sales	\$ -	\$ 36 350	\$ 37 000	\$ 36 000	\$ 39 700	\$ 38 695	\$ 40 325	\$ 37 680	\$ 37 075	\$ 34 250	\$ 24 445	\$ 22 800	\$ 22 350	\$406 670
- Start Up Costs	\$96 000	0	0	0	0	0	0	0	0	0	0	0	0	\$ 96 000
Inflow of Cash	\$-96 000	\$ 36 350	\$ 37 000	\$ 36 000	\$ 39 700	\$ 38 695	\$ 40 325	\$ 37 680	\$ 37 075	\$ 34 250	\$ 24 445	\$ 22 800	\$ 22 350	\$502 670
Outflow														
- Cost of Goods Sold & Operating Costs		\$ 14 656	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 656	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 256	\$ 14 656	\$172 272
- Taxes		\$ 4 339	\$ 4 549	\$ 4 349	\$ 5 089	\$ 4 888	\$ 5 134	\$ 4 685	\$ 4 564	\$ 3 999	\$ 2 038	\$ 1 709	\$ 1 539	\$ 46 880
Balance of a money on the project	\$96 000	\$ 17 355	\$ 18 195	\$ 17 395	\$ 20 355	\$ 19 551	\$ 20 535	\$ 18 739	\$ 18 255	\$ 15 995	\$ 8 151	\$ 6 835	\$ 6 155	\$ 91 518

Source: own computation

According to the table 11 – Cash Flow Statement, the project has a positive balance of 91 518 USD at the end of the first year. So, with proper organization of work, the payback period of the project is 6 months.

In the table "Sales of services" the proceeds from sales of products in additional monetary units are calculated. Revenue in 12 months will be about 406 670 USD.

³¹ Naumova N., Zharikova L. - *Budget in the activity of the enterprise*. Kazakhstan 2009 – 112 p.

The table "credit" is intended calculation of need of the project for external sources of financing. As possible sources of financing of the project the short-term loan, own means are considered. On the financing of capital investments and the creation of an original working capital, it is planned to attract the loan in the amount of 40 000 USD for 2 years.

The expected terms of the loan are 24% per annum in USD. The proposed repayment scheme is the payment of a debt of equal amounts with a monthly interest payment.

The "Income statement" table describes the ratio of income and expenses to the investment project under consideration, i.e. Characterizes the project in terms of its profitability. The accumulated profit for the analyzed period will be 187 518 USD.

The "Cash Flow Statement" table reflects the cash flow of the project and the deductions. The final line "Cash flow for the project" characterizes the availability of the project's cash resources at each of the planning stages. The attraction of the credit is planned in the first interval of planning.

5 Results and Discussion

5.1 Risk assignment

In the case of decision making about the implementation of the investment project assessment of its efficiency is the decisive factor. In the majority, all modern techniques of assessment of the financial and economic efficiency of projects include two groups of indicators. The most acceptable of them, according to specialists, are the methods based on discounting as they consider time aspect of the project.

The recently published domestic and foreign literature suggests about 50 criteria for assessing the activities of enterprises and entrepreneurship used by leading firms and banks in Western Europe and in the United States. Attempts to combine several criteria into one, as the authors of the published works admit, are valid mainly for the steady state of the economy. The state of the Kazakh economy is characterized by high and poorly predicted rates of inflation, a change in the price structure, the instability of tax legislation and a system of benefits. Modeling dynamic processes in such conditions is a difficult task. It is necessary to significantly expand the content of the traditional evaluation criteria recommended by UNIDO (NPV, IRR, etc.). For example, for the criterion "internal rate of return", it becomes necessary to define several additional indicators:

- the probability of obtaining the rate of return are higher than the industry average level;
- the probability of the obtaining the rate of return exceeding zero level.

Thus, analyzing the above, we can distinguish two main aspects of the problem of evaluation of investment projects implemented in Kazakhstan:

- the possibility of applying internationally accepted methods and criteria for evaluating investment projects for high inflation conditions, accompanied by a change in the price structure of the domestic market;
- need to take into the accounting of a factor of uncertainty.

The risk is inherent in any kind of activities. And then higher profitability of a financial transaction, the implemented action is more progressive, then higher risk.

In the general case, the risk is understood as the possibility of the occurrence of some unfavorable event, which entails the occurrence of various kinds of losses. In Webster's dictionary "risk" is defined as "danger, the possibility of loss or damage." One common approach is that risk is interpreted as the possibility of deviating the actual results of operations from expected (predicted). The range of possible deviations is wider; the risk of this transaction is higher.

Consider the types of risks and the level of their occurrence directly on the given enterprise on the example of (Table 12).

Table 12 - Risk analysis of the fitness center "Empire of Iron"

Types of risks	low level	Below the average	Average level	High level	Indicators "Empire of Iron"
Instability of demand		X			Below the average
Reduction of prices by competitors	X				low level
Growth of taxes			X		Average level
Solvency of the consumer		X			Below the average
Increase in costs		X			Average level
Low qualification of a personnel	X				low level

Source: own computation

The management task is to reduce risk to a minimum. Various methods are used for this purpose:

- Diversification is the capital distribution between different types of activities which results aren't connected among themselves.
- Insurance is a transfer of certain risks of an insurance company.
- The limitation is the establishment of a limit or certain amounts of expenses on departments and divisions, sales of goods on credit, capital investments.
- Reservation of funds assumes establishment of a balance between the potential risks and a number of expenses necessary to overcome the consequences of these risks.

- Distribution of risk between project participants.
- Receiving the information. Any management decision is made in conditions when results aren't determined and the information is limited. Therefore, the information more complete, the greater chance of reducing the risk.

6 Conclusion

Ten years ago, in Kazakhstan, nobody considered fitness as a profitable business and the more so nobody expected that this type of physical activity would be an alternative to the sports complex of the country which fell into decay. Now in Kazakhstan, one million people are engaged in fitness, and the number of the specialists working in this sphere exceeds 8 thousand. Fitness has not entered the Kazakh's fashion but also became a conduct of life of successful and self-sufficient people of modern society. Demand for "healthy lifestyle" creates favorable conditions for development fitness of the industry which is presented to the Kazakh market by various directions (fitness the centers, sports clubs, gyms, etc.). The fitness industry around the world is not only useful, but also very profitable sphere. The main problems of the fitness centers relate to their organization and management.

In this Bachelor thesis, the business plan on the opening of the new entity - fitness center of Empire of Iron is provided. We considered all main parts of business planning: organizational plan, marketing plan, and financial plan.

The main goal of the projected enterprise is to enter the market and the subsequent expansion of the market share. One of the advantages of the fitness center has become many services offered at attractive prices, which makes it competitive.

Having developed the business plan, it is possible to draw a conclusion that the project is effective. The net profit constitutes 187 518 USD of year that will allow closing costs for 0,5 (the discounted payback period).

We achieved such indicators, first at the expense of highly skilled personnel, an effective promotion company, the full range of services, the existing shares, rewards programs and a successful location.

Therefore, it is possible to draw a conclusion that tasks of this project are carried out and the goal is achieved.

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