

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Business Plan for Social Media Marketing Agency**

**Anna Abramova**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Anna Abramova

Business Administration

Thesis title

**Business Plan for Social Media Marketing Agency**

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### Objectives of thesis

The main objective of this bachelor thesis is to create and evaluate profitability of a business plan for social media marketing agency in Prague, providing complex services to help businesses to promote their goods and services in social media networks, starting from strategy development, continuing with content creating and finishing with posting and promoting.

### Methodology

- Literary research
- Quantitative and qualitative research (competitor analysis)
- PEST analysis
- SWOT analysis
- Financial analysis
- Basic statistical methods

**The proposed extent of the thesis**

40 – 60 pages

**Keywords**

Business plan, Entrepreneurship, Marketing, SMM, Agency

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**Recommended information sources**

- ABRAMS, R. (2010). Successful Business Plan: Secrets & Strategies. ISBN: 978-1933895147
- BURKE, G. (2007). Growing Your Business: A Handbook for Ambitious Owner-Managers. ISBN: 978-0415405188
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- SEDNIEV, A. (2013). The Business Idea Factory: A World-Class System for Creating Successful Business Ideas. ISBN: 978-1493682201

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**Expected date of thesis defence**

2017/18 SS – FEM

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## **Declaration**

I declare that I have worked on my bachelor thesis titled “Business Plan for Social Media Marketing Agency” entirely by myself and I have used only the sources mentioned at the end of the thesis. Therefore, as the author of the bachelor thesis, I declare that the thesis does not break copyrights of any other person.

In Prague on 15<sup>th</sup> March, 2018

\_\_\_\_\_  
Anna Abramova

## **Acknowledgement**

I would like to thank my supervisor Ing. Tomáš Maier, Ph.D. for his advice and time spent during my work on bachelor thesis.

I am grateful to my family who supported me all the time during my writing of this thesis. Especially to my grandmother who owned the idea of my studying abroad and getting Bachelor's degree in CULS university.

I would like to thank all people reading the thesis for your attention to it.

# **Podnikový plán pro marketingovou agenturu sociálních médií**

## **Souhrn**

Bakalářská práce se zabývá problematikou otevření marketingové agentury sociálních médií v Praze, poskytující komplexní služby, které pomáhají podnikům propagovat své zboží a služby v sociálních sítích, od rozvoje strategie přes tvorbu a dokončení obsahu až po zveřejnění a propagace. Hlavním cílem této bakalářské práce je vytvořit podnikatelský plán, zhodnotit jeho rentabilitu, pochopit co je nezbytné pro realizaci projektu a rozhodnout, zda je životaschopný. Bakalářská práce se skládá ze dvou částí: teoretické a praktické. První popisuje celkovou strukturu podnikatelského plánu, základní pojmy spojené s marketingem sociálních médií obecně a zejména založením SMM-agentury. Praktická část kompiluje několik výzkumných metod, jako jsou literární výzkum, kvantitativní a kvalitativní výzkum, SWOT analýza, finanční analýza a výpočty výnosů, nákladů a rentability projektu.

**Klíčová slova:** Podnikatelský plán, Podnikání, SWOT, Odhady rozpočtu, Finanční plán, Marketing, SMM, Agentura

# **Business Plan for Social Media Marketing Agency**

## **Summary**

Bachelor thesis focuses on the issue of opening a Social Media Marketing Agency in Prague, providing complex services to help businesses to promote their goods and services in social media networks, starting from strategy development, continuing with content creating and finishing with posting and promoting. The main objective of this Bachelor Thesis is to create a business plan, evaluate its profitability, understand what is necessary for implementation of the project and decide whether it is viable. Bachelor thesis consists of two parts: theoretical and practical. The first one describes the overall structure of the business plan, the basic concepts associated with social media marketing in general and with establishing SMM-agency in particular. The practical part compiles several research methods such as literary research, quantitative and qualitative research, SWOT analysis, financial analysis, and calculations of revenues, expenses and profitability of the project.

**Keywords:** Business plan, Entrepreneurship, SWOT, Budget estimations, Financial plan, Marketing, SMM, Agency.

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# 1. INTRODUCTION

This bachelor thesis focuses on the issues related to the opening of a Social Media Marketing agency in Prague, Czech Republic. The business plan is needed to understand whether the idea is feasible and in positive case to present it to potential investors to obtain financial resources.

Social media marketing is a revolutionary new way of marketing for businesses, which is growing rapidly nowadays. Plainly, some entrepreneurs have been fortunate enough with social media while others unfortunately can't seem to get it right. However, to understand the significance of social media networks, the entrepreneur always has to keep in mind these advantages of SMM:

- Brand recognition's rise;
- Brand loyalty's improvement;
- Imminent conversions;
- Inbound traffic;
- Reduced marketing costs;
- Improved customers' insights.

The author of the thesis is a certified SMM-specialist and has an experience of working with several customers in this sphere. Hence there were no problems with choosing business niche. More and more people are using social media networks, more and more businesses are presented there, but just a little percentage of them is presented in a professional way. The big author's dream is to establish SMM-agency and hire and educate employees, who will help businesses to be qualitatively presented in social media networks and not to annoy users with advertisements, but do it in an attractive way.

Theme of bachelor thesis will be interesting for business owners, SMM-specialists and people connected with marketing.

## **2. OBJECTIVES & METHODOLOGY**

### **2.1. OBJECTIVES**

The main objective of this bachelor thesis is to create and evaluate the profitability of the business plan for social media marketing agency located in Prague, which is providing complex services to help businesses to promote their goods and services in social media networks, starting from strategy development, continuing with content creating and finishing with posting and promoting.

The basic moments on which this bachelor thesis is focused are the following:

- Deep understanding what is the business plan itself and its importance;
- Analysis of Social Media Marketing's importance in real life;
- Creating business plan for SMM-agency "PROLOOK" and explaining its mission to the reader;
- Defining key services to be offered by the Agency;
- Getting the idea of strengths, weaknesses, opportunities and threats by conducting SWOT analysis;
- Evaluating profitability of the planned business and determining the payback period.

### **2.2. METHODOLOGY**

To achieve the objectives of the thesis and get the corresponding data to make a conclusion the following methods are used:

#### **SWOT analysis**

SWOT analysis is a process that identifies an organization's strengths, weaknesses, opportunities and threats. Specifically, SWOT is a basic, analytical framework that assesses what an entity (usually a business, though it can be used for a place, industry or product) can and cannot do, for factors both internal (the strengths and weaknesses) as well as external (the potential opportunities and threats).<sup>1</sup>

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<sup>1</sup> SWOT Analysis, <https://www.investopedia.com/terms/s/swot.asp>

The SWOT analysis is represented graphically as a square, which is divided into 4 sections, which represent external and internal positive and negative factors. SWOT analysis is short, simple and realistic, what is very important.

	POSITIVE	NEGATIVE
INTERNAL	S	W
EXTERNAL	O	T

### Depreciation of Equipment

Depreciation is an accounting term that refers to the allocation of cost over the period in which an asset is used. In a business, the cost of equipment is generally allocated as depreciation expense over a period of time known as the useful life of the equipment.<sup>2</sup>

$$\text{DEPRECIATION EXPENSE} = \frac{\text{TOTAL ACQUISITION COST} - \text{RESIDUAL VALUE}}{\text{USEFULL LIFE OF THE EQUIPMENT}} \quad (1)$$

To calculate the depreciation of equipment we use the original cost of the equipment, the expected residual value of the equipment and the expected useful life of the equipment. All the kinds of equipment are divided into several groups where they belong with different periods of useful life. In this bachelor thesis for opening SMM-agency only equipment from the 1<sup>st</sup> group and with the depreciation period of 3 years is used.

FIGURE 1: Depreciation groups

Depreciation category	Minimum depreciation period (in years)
1. computers and office equipment, measuring and control devices, etc.	3
2. cars, buses, machinery and equipment, lorries and tractors	5
3. metal structures, motors, metal products, machinery and equipment for the metals industry, ships, lifts, cranes, electric motors, ventilation and cooling units, etc.	10
4. electric mains, gas and oil pipelines, water mains, pillars, chimneys	20
5. buildings (factories), bridges, roads, tunnels, water works, cableways	30
6. buildings (hotels, administration/business/shopping centres)	50

Last update: January 2018

Fact Sheet No.14 – Corporate Tax and Depreciation  
Reviewed by [www.pwc.com/cz](http://www.pwc.com/cz)

Source: [https://www.czechinvest.org/getattachment/Unternehmen-in-der-Tschechischen-Republik/Doing-business-in-the-Czech-Republic-Taxation-cn/Corporate-Tax-and-Depreciation-\(Factsheet-14\).pdf](https://www.czechinvest.org/getattachment/Unternehmen-in-der-Tschechischen-Republik/Doing-business-in-the-Czech-Republic-Taxation-cn/Corporate-Tax-and-Depreciation-(Factsheet-14).pdf)

<sup>2</sup> How to Calculate Depreciation on Equipment, <https://bizfluent.com/how-7624348-calculate-depreciation-equipment.html>

## Cost of labor

The cost of labor is the sum of all wages paid to employees, as well as the cost of employee benefits and payroll taxes paid by an employer.<sup>3</sup>

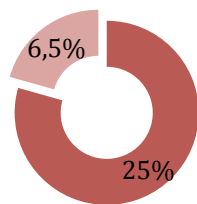
The cost of labor is usually counted during an accounting period on daily, weekly, monthly, or job basis and includes payroll and related taxes and benefits, if there are any.

The wage fund in Czech Republic is taxed by the following rates:

FIGURE 2: Taxes for social & health insurance

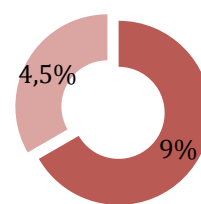
### SOCIAL INSURANCE 31,5%

- Payed by the employer
- Payed by the employee



### HEALTH INSURANCE 13,5%

- Payed by the employer
- Payed by the employee



Source: Author's creation

And finally all employees have income tax – 15%.

## Balance sheet

A balance sheet is a financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. These three balance sheet segments give investors an idea as to what the company owns and owes, as well as the amount invested by shareholders.<sup>4</sup>

The balance sheet adheres to the following formula:

$$\boxed{\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}} \quad (2)$$

<sup>3</sup> Cost Of Labor, <https://www.investopedia.com/terms/c/cost-of-labor.asp>

<sup>4</sup> Balance Sheet, <https://www.investopedia.com/terms/b/balancesheet.asp>

Assets are typically organized into current assets - those that are cash or can be easily converted into cash, and fixed assets - those that can not quickly be converted to cash, such as land, buildings, and equipment.

Liabilities are company's financial debts or obligations that arise during the course of its business operations.

Equity is that which remains after subtracting the liabilities from the assets.

Balance sheet is represented graphically as a rectangle, which is divided into 2 major sections: Assets and Equity & Liabilities, where each of them is also divided into 2 sections. The sums in the bottom of the major sections have to be equal.

ASSETS		EQUITY & LIABILITIES	
FIXED ASSETS		EQUITY	
CURRENT ASSETS		LIABILITIES	
<b>TOTAL</b>	<b>=</b>	<b>TOTAL</b>	<b>=</b>

### Net profit

Net profit represents the number of sales dollars remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.<sup>5</sup>

The net profit adheres to the following formula:

$$\boxed{\text{NET PROFIT} = \text{TOTAL REVENUE} - \text{TOTAL COST}} \quad (3)$$

The phrase “net profit” (also known as net income) can end with “before tax” or “after tax”. As it is understandable from the name, the first one is profit before subtracting taxes, and the second one – after.

<sup>5</sup> Net Profit, <http://www.investinganswers.com/financial-dictionary/financial-statement-analysis/net-profit-2230>

Data in net profit statement can be reported on monthly basis to give a full picture of a company's financial performance to the reader.

### **Income statement**

An income statement is a financial statement that reports a company's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities. It also shows the net profit or loss incurred over a specific accounting period.<sup>6</sup>

Unlike the balance sheet, which covers only one moment in time, the income statement provides information about some period of time, usually year or more. It starts with revenues and works down to net profit, giving information about any profits or losses in the company.

### **Cash flow statement**

The cash flow statement reports the cash generated and used during the time interval specified in its heading. The period of time that the statement covers is chosen by the company.<sup>7</sup>

The cash flow statement organizes and reports the cash generated and used in the following categories:

- Operating activities;
- Investing activities;
- Financing activities;
- Supplemental information.

### **Payback period**

The payback period is the length of time required to recover the cost of an investment. The payback period of a given investment or project is an important determinant of whether to undertake the position or project, as longer payback periods are typically not desirable for investment positions.<sup>8</sup>

To determine payback period of a business, the following formula is used:

$$\text{Payback Period} = \frac{\text{Initial Investment}}{\text{Annual Cash Flows}} \quad (4)$$

---

<sup>6</sup> Income Statement, <https://www.investopedia.com/terms/i/incomestatement.asp>

<sup>7</sup> Cash Flow Statement, <https://www.accountingcoach.com/cash-flow-statement/explanation>

<sup>8</sup> Payback Period, <https://www.investopedia.com/terms/p/paybackperiod.asp>

# **3. THEORETICAL BACKGROUND FOR CREATING BUSINESS PLAN**

## **3.1. INTRODUCTION TO BUSINESS PLANNING**

Do we have to plan entrepreneurial or any other activities or do we have just to hope that so called invisible hand of the market<sup>9</sup> (term used by Adam Smith to describe the unintended social benefits of individual self-interested actions) will rationally put everything on the right places, automatically ensuring safety of current society and all the next generations? It can be even noticed in regular life that social progress is not achieved by contrasting plan and market, but only by reasonable and appropriate combination of them.

Every entrepreneur starting his business must clearly understand for the future the need in financial, material, labor and intellectual resources, in the sources of their receipt, and also be able to accurately calculate the efficiency of resources usage in the process of the firm's work.

In a market economy entrepreneurs can't achieve sustainable success unless they clearly and efficiently plan their activities, constantly collect and accumulate information about the state of target markets, competitors' positions and their own prospects and opportunities.

Therefore, anyone who seriously wants to engage in entrepreneurial activities and get profit in the market environment must have a well-thought-out and comprehensively grounded detailed business plan that determines the strategy and tactics of doing business. Having a well-developed business plan allows actively develop business, attract investments, partners and credit resources.

Business plan is a formal document with detailed actions explaining each major component of business, how those will work along well and actions needed to execute business that entrepreneur either hands to some company/investor or keeps it for internal use. The main thing is that this plan has to be viable. The true value of business planning is going through a rigorous planning process for own sake to create a good strategy. Business plan helps to refine one's overall business model and to organize ideas.

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<sup>9</sup> Invisible Hand Of The Market, [https://en.wikipedia.org/wiki/Invisible\\_hand](https://en.wikipedia.org/wiki/Invisible_hand)



## 3.2. WRITING A BUSINESS PLAN

### 3.2.1. WHEN YOU NEED A BUSINESS PLAN

“If you fail to plan, you plan to fail.”

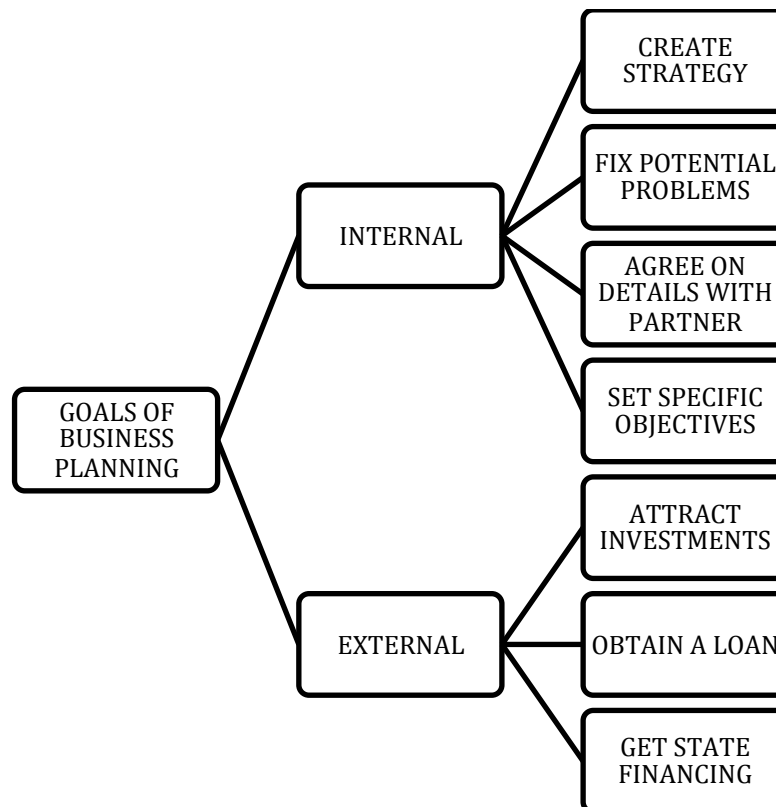
- Benjamin Franklin

There are two global instances when a business plan should be written. The first is when it asked specifically by some individual or organization that a business owner wants to collaborate with. The second instance is when business owner needs business plan for himself to organize activities inside the company.

In general above mentioned can be described as two forms of business planning:

- Planning firm's activity in the market;
- In-house planning.

FIGURE 3: Forms of business planning



Source: Author's creation

Business plan should be developed for:

- Creating a new business;
- Growing existing business;
- Selling business;
- Seeking investments and obtaining loans;
- Sharing business objectives with partners;
- Hiring new people;
- Making any decisions according new expenses of a company;
- Production of new products;
- Expansion or modernization of production;
- Implementation of capital expenditures for acquisition of fixed assets;
- Entering new markets;
- Mergers and acquisitions of enterprises etc.

### 3.2.2. TYPES OF BUSINESS PLANS

It is important to consider who is the consumer of a business plan. If it is a bank that provides a loan, then it is necessary to allocate in it how much the enterprise's balance would be liquidated, what are the cash flows and the indicators of financial dependence.

If there is going to be delivery of equipment for the production of new products, then it should be determined in the business plan what efficiency of production is expected, which markets the company is planning to enter, whether the technology is appropriate, and to make analysis of the competitors' market.

If the state participates in the project in one form or another, it is important to allocate the return of investments to the budget in the form of tax payments.

In each specific case it is necessary to carefully analyze who are the main consumers of a business plan. That is why there are several different types of it.

### **Standard Business Plan**

Standard business plan has undergone a lot of modifications in recent times. It is generally shorter these days than ever before. Standard business plan occupies the need of a business plan event, which is the event when the business idea is presented to potential investors, bank or partners. Most of standard business plans start with an executive summary describing the key points of the plan, include sections covering description of company itself, products or services it sells, target markets, strategy, description of milestones and goals, management team, financial forecasting and analysis, ending with appendices showing monthly projections for the first year and annual projections for the second and third years. The above-mentioned order of topics is not obligatory, but it is usually expected to see all of them covered.

### **Internal Business Plan**

The main target of internal business plan is an audience within the business. It is usually written to evaluate proposed project and describe company's current state, including operational costs as well as profitability. The internal business plan also includes repayment plan of any capital needed for the project and provides information about marketing, hiring and tech costs. It can also include market analysis illustrating target demographics, market size and market's positive effect on the company income. Since the internal business plan is only required for internal usage, it is not necessary to include a detailed analysis of a business to it. Usually internal business plan is much more shorter than the standard one, but it still has to cover the main goals and purposes of a business.

### **Strategic Business Plan**

Strategic business plan is similar to internal business plan, but it has less details about financial projections, going more into details of the strategy that internal plan does, so it has more descriptions and explanations.

There are five elements of strategic business plan:

- Business vision;
- Mission statement;
- Definition of critical success factors;
- Strategies for achieving objectives;
- Implementation schedule.

Strategic business plan shows detailed road map of company's goals and ways of their achievement, laying out a foundational plan for entire company. It brings all levels of the business into one big picture, inspiring employees to work together to create a successful culmination to company's goals.

Strategic plan deals with the strategy planned to implement for each certain project. Whether a new product or a new service is planned for a launch, or it is planned to lower marketing budget, or to restructure the company – strategic business plan suits in all these cases, it is just needed to brainstorm how a project can be done.

### **Feasibility Business Plan**

Feasibility business plan determines which category of people is interested in products or services that company wants to sell and if they can turn a profit. This type of business plan includes sections describing the need for the product or service, target demographics and required capital, ending with recommendations for going forward. Feasibility plan rarely includes the full range of topics expected in a standard business plan. It usually tends to be focused on whether proposed venture will work on the market without the additional strategy, tactics and financial projections.

### **Operational Business Plan**

Operational business plan is an internal plan designed by frontline managers that consists of elements related to company's operations. It specifies upcoming projects, events, milestones for the business, implementation markers and deadlines set for a coming year, and outlines employees' responsibilities. Moreover, cash flow figures are prominently here as well.

### **Growth Business Plan**

Growth business plan (expansion plan) is an extended standard plan that focuses on a specific area of a business or a subset of the business. For example, plan for production of new products is a growth plan. Expansion plan is an in-depth description of proposed growth that details how that growth would take place: through aggressive marketing or more investors or better production. This type of business plan could be written for internal and external purposes, depending on whether they are being linked to loan applications or new investments. If the expansion plan requires new outside investments or a bank loan it would probably need to include full company descriptions and background on the products or services that company

provides, market and management team, just the same as a standard plan for investors would. However, an internal growth plan that is used to set up the concrete steps for expansion funded internally could skip these descriptions. It might not be necessary to include detailed financial projections for the company overall, but it has to include detailed forecasts of sales and expenses for the new venture.

### 3.2.3. COMMON MISTAKES

“How much you can learn when you fail determines how far you will go into achieving your goals.”

- Roy Bennet

#### **Overstatement of sales volumes**

When creating a business for the first time, the majority of entrepreneurs mistakenly believe that their products are going to be in a great demand, leaving behind the most serious competitors. In these cases entrepreneurs often overstate sales volumes.

Possible consequences:

- Wrong balance of income and expenses => business is slowly going into negative;
- Refusal of potential investors.

#### **Artificial understatement of costs**

Investment companies and banks lending small and medium businesses pay special attention to the costs associated with a release of goods or services entering a new market when analyzing business plans. The entrepreneur's mistake in this case is the omission of cost of wages, cost of raw materials and consumables, taxes etc. The mistake is in both cases: whether to miss these costs or understate them. It is impossible to get investments if business plan takes into account only costs of purchasing goods from counterparties and the salary of two main employees. Even a novice investor does not dare to invest his money into a business devoid of realism.

#### **Lack of risks analysis**

Any standard business plan should include an article “risks analysis” which is a detailed analysis of all risks could occur. One of the goals of business planner is to develop strategy to minimize

the risks. Lack of this part might lead to investors' suspicion whether the entrepreneur is ready for difficulties.

### **Emphasis on quick profit achievement**

The main objective of creditors is the ability of business to bring regular and stable profit, albeit small, but not one-time. While developing this part in a business plan entrepreneur has to consider various ways to maintain cash flow. The best solution is to find several options how to maintain consumer's demand and promote the product in order to keep the level of profit at a desired level.

### **Lack of competitive advantages description**

The main task of entrepreneur is to convince investors in the attractiveness of the business. To do this, the question needs to be answered: why the proposed product or service is better than similar products or services of competitors. To do this, potential market (the audience the business targets) needs to be analyzed, in the end getting through this analysis prepared list of competitive advantages of the business idea. Moreover, methods allowing business to get ahead of competitors have to be mentioned as well.

## **3.3. BUSINESS PLAN**

### **3.3.1. BASIC CONCEPTS**

With all the diversity of forms of entrepreneurship, there are key concepts of writing a business plan. Effective business planning requires focusing on the organization's mission, vision and values, along with careful consideration of the impacts on the organization from both internal and external forces. Based on data gathered through a thorough situation analysis, a business then establishes goals and objectives that they would plan to meet through effective strategies and tactics.

### **Situation Analysis**

A situation analysis is a method of strategic business planning which involves identifying factors of internal and external environment of an organization. Situation analysis provides a foundation for business to determine its goals and objectives at the same time encompassing considerations

about existing and desired customers, existing and impending competitors, as well as industry and environmental issues that could impact the business. The name of the process is abbreviated as SWOT analysis (Strengths, Weaknesses, Opportunities and Threats).

### **Mission, Vision and Value Alignment**

Value alignment is one of the critical concepts of business planning. Whether a business has a stated mission and vision or not, it is certainly clear for its owners why the business exists, what it offers and for whom. Values give an explanation of the company's beliefs in terms of how it operates. In business planning goals and objectives have to be aligned with the mission, vision and values of the organization.

### **Clear Goals and Objectives**

Goals and objectives in business planning should be clearly identified. They ensure that everyone involved in implementing the plan know what they are attempting to achieve. In addition, clear goals and objectives provide an indication of the resources that are necessary for success. Moreover, to provide the basis for implementation of the plan and measurement of plan progress goals and objectives have to be measurable.

### **Focused Strategies and Tactics**

All strategies and tactics are developed to achieve the goals and objectives that are established. Strategies are broad and are designed to either capitalize on the strengths and weaknesses or overcome the weaknesses and threats. Tactics are more specific and indicate specific operational tasks that must be accomplished to achieve strategies.

## **3.3.2. STRUCTURE OF BUSINESS PLAN**

A business plan is literally a “plan for the business”, where the business may be a profit-making company, a government organization, or a non-profit organization. A business plan can also represent a product line, an individual product, a line of service products, or some other part of a larger business entity. Thinking through the strategies for all these types of businesses, the idea that all of them have something in common arises.

All businesses have some product or service. All businesses need to promote their products or services. And all businesses need to ultimately reach some kind of financial health in order to be self-sustaining. Here the core of any business is clarified: Product, Promotion, and Finances.

Expanding the core and getting into details it can be noticed that each business needs secondary sections like Team, Costs, Previous Funding, Target Customer, and Competition Section. In addition, each business plan has to start with a Summary and end with Conclusion.

Talking in more detail, these are the mandatory items with short descriptions, which standard business plan has to include:

### **1. Executive summary**

Executive summary is the first part of each business plan and acts like an introduction. Here the problem the business is solving has to be mentioned as well as the company's mission. This part prepares reader for all the issues business plan is covering next. It can also be mentioned here what is the product or service that company provides, but not in details.

### **2. Company description**

In this section the most complete description of the company has to be provided. Company description includes information about the company and its founders in expanded form: address, requisites and contacts, also it clearly formulates the objectives of the company, shortly identifies the major types of products or services and characterizes the company's position in the industry market.

### **3. Product or service**

“Great companies are built on great products.”

- Elon Mask

This part contains detailed illustration of the product or service the business provides. Here has to be explained why the product or service should exist, why people need it and what are the benefits of it, even if the product is self-explanatory. Not to face difficulties when getting people to use it, the real need in product and pain point solution has to be studied in this part and illustrated for reader.



#### **4. Target market and its size**

Not everyone can be encouraged to be the customer of each business. Each product or service either can suit only a few types of people or there are few types of people for whom concrete product or service would be a better fit. Target part of each business plan identifies who are those people and focuses on that particular consumer base. Once the target consumers are identified, the business should effectively be marketed to them, while the product or service is being modified to please them.

Potential customers can be identified by three over-riding considerations:

- Geographics – shows how far the customer is from your location and helps to get an idea if the business is local or is available worldwide;
- Demographics – studies common attributes of the audience (age, sex, marital status, socioeconomic, educational and income levels, race and religion) and advises how to “talk” to those potential customers and where to reach them;
- Psychographics – clears lifestyle choices (desires, hobbies, fears, interests, mental blocks etc.) of potential customers and as demographics helps with the ways of advertising and places of reaching. To better understand psychographics of potential clients it is good to continue analyzing existing ones through questioning or even talking to them.

Deep understanding of target consumers helps to promote the product in a right way and on right advertising platforms and to reach people who are in the target market in a cheaper way. It also helps to understand market size of a business that helps to make more accurate financial estimates.

Target market size – is the total dollar amount of the industry in which the business is. This index has to be as specific as possible. After noting the overall market size it needs to be narrowed down to the business’s target market that is a subset of the total market.

In addition, narrowing down the overall market size or target market itself is not decreasing the potential of business’s opportunities, it is just giving an idea of how the ideal customer looks like and where to put the efforts when targeting. Moreover, it is always possible to expand out of certain type of customer and to target additional types of them then.

## **5. Organizational plan**

The following section provides a block diagram of the enterprise management system, organizational chart of the participants in the enterprise (entrepreneur, partners, investors, board members, employees etc.) and the description of their roles.

## **6. Operational plan**

An operational plan explains how the company will achieve the goals, objectives and strategies described in the whole business plan. The operational plan must be reviewed and updated regularly to ensure that the company is meeting outlined objectives.

Operational plan starts with addressing following four questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?
4. How do we measure our progress?

Operational plan should contain:

- Clear objectives;
- Activities to be delivered;
- Quality standards;
- Desired outcomes;
- Staffing and resource requirements;
- Implementation timetables;
- Process for monitoring progress.

## **7. Marketing plan**

The marketing plan is one section of the core of each business plan. Marketing plan outlines how the business will reach its target market in order to convert potential clients to real clients. Marketing plan has to be created very carefully and it has to contain viable and effective strategies. There are a lot of ways to market products and services, however, each business needs to choose those ones which are suitable for its concrete case. Not all marketing techniques work for all companies, not all marketing platforms are suitable for all companies. The marketing strategy has to work along with target customers and be professional and effective.

Sections of marketing plan:

- Deadlines;
- Marketing budget;
- Unique value proposition;
- Pricing and discount strategies;
- Target market;
- Recurring customer strategies;
- Competitive analysis.

## 8. Revenue model

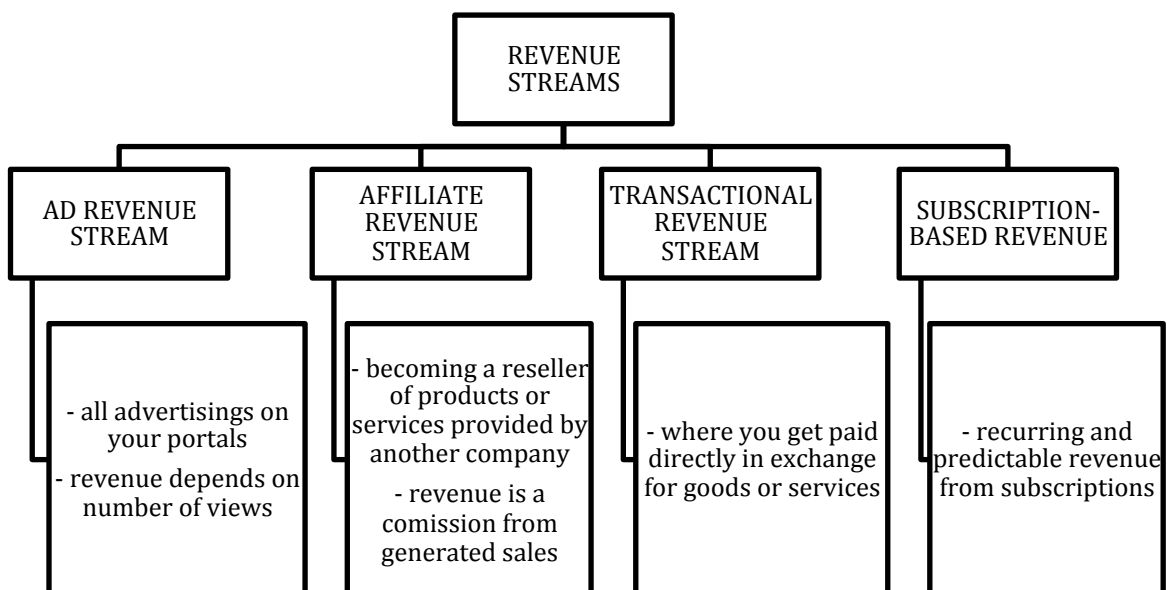
Business model – is a model, that takes all the components of a business into account and evaluates how they work with one another;

Revenue model – is a part of business model evaluating one or several revenue streams;

Revenue stream – is one of the ways in which the revenue is generated, a part of revenue model.

Revenue model clarifies how and when the revenue will be generated, how many and which revenue streams will be working, which one of them is going to be the main one.

FIGURE 4: Revenue streams



Source: Author's creation

To maximize the potential of any revenue stream three common ways can be used:

- Increasing prices;
- Extending the relationship with customers;
- Optimizing the rate at which new people are converted into real customers who pay.

## **9. Financial plan**

Financial plan shows a clear overview of a business's overall financial picture and is needed in both cases: whether it is just planned to start a business or it is planned to grow it. To track and have a better understanding of the overall financial picture balance sheet or cash flow statement has to be used.

Balance sheet is a financial report that provides a summary of a business's position at a given point in time, including its assets, liabilities and total or net worth.

“A balance sheet does not aim to depict ongoing company activities. It is not a movie but a freeze-frame. Its purpose is to depict the dollar value of various components of a business at a moment in time.”<sup>10</sup>

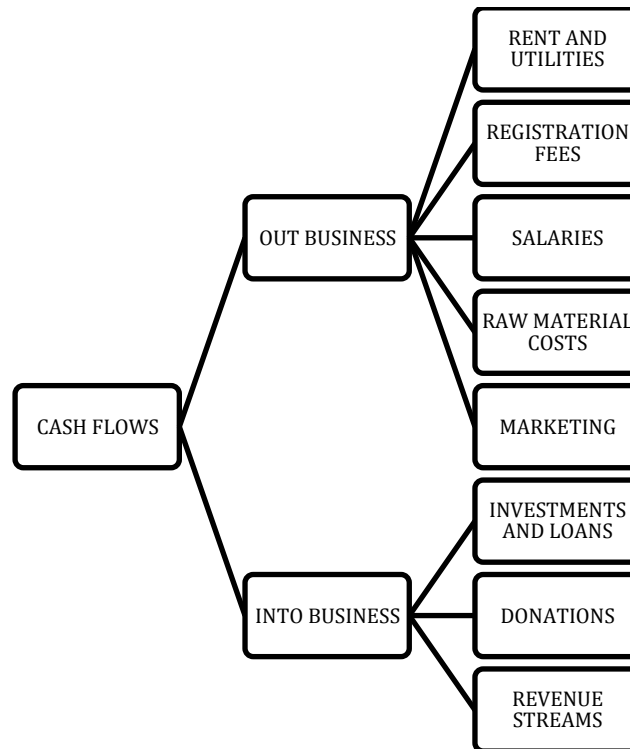
Joseph Peter Simini, “Balance Sheet Basics for Nonfinancial Managers”.

Cash flow statement is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities.

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<sup>10</sup> Simini, Joseph Peter. Balance Sheet Basics for Nonfinancial Managers. Wiley, 1990

**FIGURE 5: Cash flows**



Source: Author's creation

## 10. Unit economics overview

This section outlines the details of each transaction. It figures out how much does it cost for the entrepreneur to put one product into customer's hands and how much he charges for it. Is it profitable or does it lose money? Also here has to be considered whether selling as many products as needed in order to meet the financial goals is viable for this concrete business, taking into account marketing opportunities and target market's size.

In this part has to mentioned the solution of how many products have to be sold in order to:

1. Break even financially on a monthly basis;
2. Turn a profit;
3. Finance further business growth.

## 11. Appendix

In this part any sensitive information such as financial data, investor information or business secrets can be added. It is possible to easily add or remove this data, depending on whom the business plan is being shown and with which goal.

## **4. PRACTICAL PART**

### **4.1. REPRESENTING THE IDEA OF OPENING SMM AGENCY**

#### **4.1.1. EXECUTIVE SUMMARY**

PROLOOK (further – Agency) is a Social Media Marketing agency that will be located in Prague, Czech Republic and will provide complex services to help businesses to promote their goods and services in social media networks such as Instagram, VK and Facebook.

Social media marketing (further – SMM) is a revolutionary new way of marketing for businesses when potential clients are being found in the places they spend the most of their time. This way of marketing is native, the most effective, that is why it is gaining more and more popularity nowadays.

The Agency will help businesses with promotion in social media networks by providing complex services starting from strategy development, continuing with content creating and finishing with posting and promoting. For each project the team will be created, members of which will be responsible for creating unique content, producing footage, processing and coordinating received materials, writing texts and promoting for the target audience. In short, the strategy for the presence of the client's brand in any social media network customer wants will be developed and implemented.

#### **4.1.2. COMPANY DESCRIPTION**

##### **Name**

The name of the Agency “PROLOOK” comes from the word “look” – the act of looking, a visual search or examination, the way in which a person or thing appears to the eye or to the mind; and a the prefix “pro” that stands for “professional”. Professional Look of the brand – is the thing the Agency is taking care of. The brand identity is in the Appendix.

##### **Mission**

PROLOOK: Your professional look in social media.

Nowadays in the time of 21<sup>st</sup> century each brand must be presented in social media networks. PROLOOK is a full-service digital agency with innovation at its heart. With its brand commerce expertise and product and service design capabilities, complex client challenges will be solved and positive business results for any brand will be delivered. Only special, discussed, useful, long-playing, working in different channels and involving Big Ideas for the digital environment are being created in the Agency.

### **Size**

Number of employees:	5
Size of the office:	~ 35M <sup>2</sup>
Working hours:	Mon-Fri 9:00-18:00

### **Location**

The office of the Agency will be located in Prague, Czech Republic in one of the business centers preferably in the area of Prague 5 due to convenient transport accessibility and proximity to the city center, that is important for employees and clients while concluding contracts. Once the office is found, the concrete address and telephone number will be available in this section.

### **Form of business organization**

The activities of the Agency will be based on Sole Proprietorship form of business organization. Accordingly, the author of the thesis will be registered in the trade license regulator (živnostenský úřad) as an individual entrepreneur (živnostník). This form of business has been selected because in Czech Republic it is possible to submit tax reports on a simplified form for individual entrepreneurs. Although there will be only one shareholder under this type of organization, it is possible to employ other persons on a contractual basis.

There are advantages and disadvantages of Sole Proprietorship form of business organization mentioned below that were taken into account when creating this business plan:

**FIGURE 6: Advantages and disadvantages of Sole Proprietorship**

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>➤ Ease of formation and dissolution. Establishing a sole proprietorship can be as simple as printing up business cards or hanging a sign announcing the business. Taking work as a contract carpenter or freelance photographer, for example, can establish a sole proprietorship. Likewise, a sole proprietorship is equally easy to dissolve.</li><li>➤ Typically, there are low start-up costs and low operational overhead.</li><li>➤ Ownership of all profits.</li><li>➤ Sole Proprietorships are typically subject to fewer regulations.</li><li>➤ No corporate income taxes. Any income realized by a sole proprietorship is declared on the owner's individual income tax return.</li></ul>	<ul style="list-style-type: none"><li>➤ Unlimited liability. Owners who organize their business as a sole proprietorship are personally responsible for the obligations of the business, including actions of any employee representing the business.</li><li>➤ Limited life. In most cases, if a business owner dies, the business dies as well.</li><li>➤ It may be difficult for an individual to raise capital. It's common for funding to be in the form of personal savings or personal loans.</li></ul>

Source: <http://www.studyfinance.com/lessons/busorg/>

#### 4.1.3. PROVIDED SERVICES

The Agency offers complex marketing services for new coming and existing businesses. The word “complex” means that the Agency is fully responsible for the social media networks of the brand on outsource.

There are three social media networks PROLOOK works with:

- Facebook
- Instagram
- VK

PROLOOK’s services consist of three huge steps:

1. Strategy development for concrete brand.
2. Unique content creating – photos, videos, graphics, texts.
3. Posting and promoting.

All these three steps help the brand to get new potential clients from social media networks through being attractive, interesting, clear, compelling, intriguing, active and always online. The steps are described in details below:



## 1. Strategy development

Using proprietary research tools and social listening and data platforms, the members of strategy team are responsible for: brand strategy to business analytics and media strategy to user experience. Strategy development is always starting with how people, brands, and markets behave and interact. The goal is a single-minded and knowledgeable narrative for the brand that will inspire for creative and effective solutions.

Strategy development includes setting goals, segmenting the target audience, describing the brand champion, working on insights, examining competitors in chosen social media, monitoring references to the brand in the internet, choosing social media and tools, creating content strategy, forming KPI, budget allocation.

## 2. Unique content creating

### Photos & Videos

Photographers and videographers are responsible for production of such unique content as photos and videos. For each client the Agency assigns photographer and videographer, who create unique content once a week, after what transferring it to the design team.

### Graphics

Design team is responsible for graphics creation from the very beginning and for adding some graphics such as logotypes, texts and design to photos and videos photographers and videographers made.

### Texts

Copywriting team is responsible for writing unique texts for social media networks, following content plan and matching visual illustrations. They write copies or scripts for advertisement posts, based largely on information obtained from the client.

## 3. Posting and promoting

The Agency is also taking care of posting the content on the concrete date and time following the content plan, after what is promoting it. The members of targeting team

make the advertising shown only to the people who can be interested in it, without wasting budgets.

There are three packages concerning management of social media networks the Agency provides and also additional services mentioned below can be added:

**TABLE 1: Services of the Agency**

<b>INSTAGRAM</b>	<b>FACEBOOK</b>	<b>VK</b>
<ul style="list-style-type: none"> <li>• strategy development</li> <li>• unique content creating (1 post / day)</li> <li>• posting</li> </ul>	<ul style="list-style-type: none"> <li>• strategy development</li> <li>• unique content creating (1 post / day)</li> <li>• posting</li> </ul>	<ul style="list-style-type: none"> <li>• strategy development</li> <li>• unique content creating (1 post / day)</li> <li>• posting</li> </ul>
9 900 CZK / month	9 900 CZK / month	9 900 CZK / month

Source: Author's creation

**TABLE 2: Additional services of the Agency**

<b>ADDITIONAL SERVICES</b>	
Additional post every day in one social network	4 000 CZK / month
Creating content for section "Stories" in one social network (strategy, content creating, posting)	8 900 CZK / month
Setting up targeting in one social network (budget for advertisement is not included)	4 000 CZK / month
Conducting a competition in one social network (strategy, preparation, implementation, summarizing)	1 500 CZK / competition
Full management of one social network (communication with clients, work with negative, being online)	10 000 CZK / month

Source: Author's creation

#### 4.1.4. TARGET MARKET

##### Geographics

The agency will be based in Prague and working on outsource, however, to make such unique content as photos and videos the businesses have to be located in a reachable distance from our photographers. For the beginning, all the staff will be located in the office in Prague, that's why our potential clients are businesses located in Prague, however, there is a possibility for a fast expansion.

To get the most from marketing in social media networks each project's content-manager has to speak the same language as target audience of the business and have the same mentality. There will be working English-, Russian- and Czech-speaking in PROLOOK. That's why in addition to being located in Prague, our potential clients (businesses) have to be targeted to English-, Russian- and Czech-speaking audience.

##### Demographics

As for the demographics consideration for the Agency, there is quite an understandable explanation. The Agency offers services of commercial social media networks maintenance for businesses. That's why our potential clients are most likely business owners or managing directors, who would be interested in giving maintenance of their commercial social media networks on outsource.

While sex, marital status, race and religion are not so important in our case, it's possible to add something about age, socioeconomic, educational and income levels. Most entrepreneurs tend to be adults with some experience ahead as well as some finished education. Moreover, to pay for marketing services monthly a company has to already have profit or have some budget for it if it's a startup.

In conclusion, the potential customers of the Agency are business owners or managing directors, most likely over 27-30 years old, well educated, with high company's income that affords buying marketing services monthly and who want their brand to be well presented in social media networks, whether with selling or reputational goals.

## Psychographics

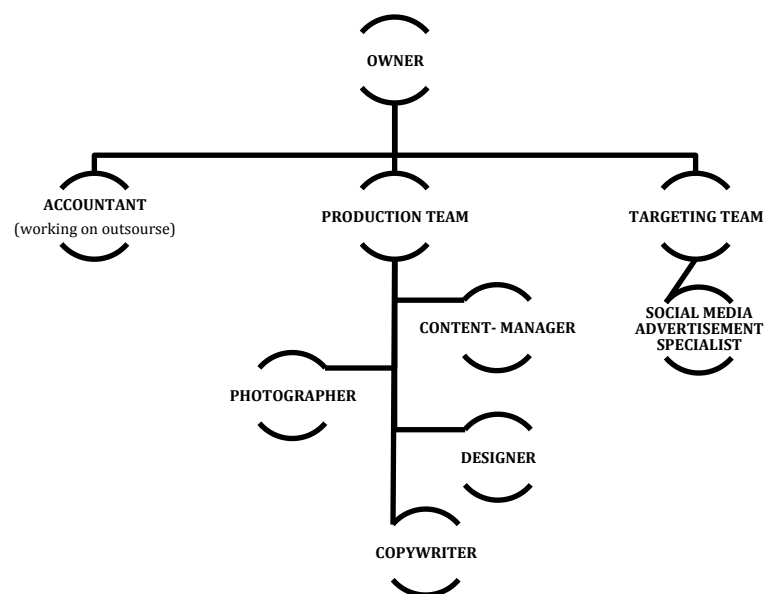
Talking about psychographics of Agency's potential customers, several possible aspects can be highlighted:

- They want to start new business;
- They want to grow existing business;
- They need to make money faster – somewhat desire and stressful life circumstances (need to get more clients);
- The owner wants to be famous / wants the team to be famous;
- The company needs a SMM-marketer, worked without him before;
- Marketer's low confidence in SMM; usually other types of marketing are used.

### 4.1.5. ORGANIZATIONAL PLAN

The Labor Code of Czech Republic states that an entrepreneur using Sole Proprietorship form of business organization can employ individuals on a contractual basis with the payment of a minimum wage, meal vouchers, leave, etc. The law does not provide any restrictions if the entrepreneur as an employer can fulfill all the above duties. The Labor Code regulates all the relationships.

**FIGURE 7: Organizational structure**



Source: Author's creation

### **Staff functions**

The accountant is responsible for accounting and tax accounting, payrolls and vacation payrolls, compilation and submission of reports to state bodies, profit calculation and balance sheet compilation. Accountant work presupposes knowledge in the field of finance, economics, management, statistics etc. The Agency will use some outsourcing company for accountant's work.

Production team is responsible for all the work done for clients described in details above in the part "Provided Services" of this business plan, where Content Manager is responsible for strategy development, coming up with ideas, content plan formation, giving instructions to other members of the team and finalizing the project with gathering all materials together and posting.

Photographer goes directly to the places where the clients' businesses are conducted (for example, beauty salon or restaurant) and makes photos and videos in accordance with the instructions of content-manager.

Designer is responsible for finalizing the visual materials by adding logotypes, texts or illustrations or creating some graphics for customer as it is planned by content-manager.

Copywriter writes texts for all the posts mentioned in content plan considering the features of each social network (length, style, text design etc.)

The process of employees' selection will be based on interviews, portfolios viewing, skills testing, and will be conducted directly by the director of the company. The average age of employees is supposed to be 25 years, since SMM is revolutionary new way of marketing, so the people getting education in this field are quite young.

The most valuable features will be:

- Experience;
- Organizational skills;
- Teamwork;
- Honesty;
- Desire to work for a result.

## Schedule

- (1) The employer shall distribute working hours and determine the start and end of shifts.
- (2) As a rule, working hours are distributed over five-day working week. In distributing working hours, the employer shall see to it that the distribution is not contrary to safe work and does not pose risks to health.
- (3) The employee shall be at the workplace at the start of his shift and leave the workplace only after the end of his shift.<sup>11</sup>

The Agency will follow the standard working schedule with 40 working hours per week, Monday – Friday, 9:00-18:00 with 1 hour for lunch.

## 4.2. MARKET ANALYSIS

### 4.2.1. SWOT

TABLE 3: SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• In-house education of employees</li><li>• Individual approach to each customer</li><li>• Assigned content-manager for each project</li><li>• Deadlines</li><li>• Low budget for SMM</li><li>• Stable customer base</li><li>• Website + presence in social networks</li></ul>	<ul style="list-style-type: none"><li>• Narrow marketing services</li><li>• Insufficiently formed image</li><li>• Limited clients' capability</li><li>• Employees need to be trained</li></ul>

<sup>11</sup> Division 1, Fundamental Provisions, Section 81, [https://www.mpsv.cz/files/clanky/3221/Labour\\_Code\\_2012.pdf](https://www.mpsv.cz/files/clanky/3221/Labour_Code_2012.pdf)

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Additional provided services</li> <li>• Access to new markets</li> <li>• Higher prices</li> <li>• Company's growth (more clients &gt; more employees needed)</li> <li>• Partnership with other agencies</li> <li>• Customer base's growth</li> </ul>	<ul style="list-style-type: none"> <li>• Economic slowdown &gt; lower demand</li> <li>• New entrants</li> <li>• Increasing marketing costs</li> </ul>

Source: Author's creation

Since the Author of the thesis is a certified SMM-specialist and periodically visiting different SMM trainings and conferences, it would be possible to arrange in-house trainings for employees on monthly basis.

As for the strengths visible to client, there are individual approaches, assigned person responsible for each project and meeting deadlines, which organizational structure and clear division of responsibilities help to maintain.

The budget for marketing is expected to be lower than in the companies providing non-marketing services, since the employees of the Agency would take care of SMM of the Agency. The customer base is expected to be stable since the Agency will be working on a kind of "subscription" system. Contracts will be concluded for special periods of time measured in months, not for one-time service. However, there is a possibility for customer base's growth, and then the company's growth is expected. This business plan shows the starting stage of the Agency, where the mentioned employees al together could manage 20 clients a month. Once the number of clients is more then 20, then additional staff is required.

Unfortunately, there are some weaknesses of the Agency that have to be mentioned. The Agency provides only SMM services, while there are many full-marketing Agencies in Prague. However, lot of them do not provide marketing services in social media networks since it's a relatively new way of marketing, that's why the Agency could be helpful separately. Moreover, there are no

Russian-speaking SMM-agencies or even marketing agencies in Prague that will help to get all Russian-speaking businesses that need SMM services, as clients.

The next thing to be mentioned is that the Agency will need time form its image and get reputation, as the employees' ways of working – employees will need time to be trained for the system of the Agency.

As for the opportunities, there is a wide range of them. First of all, there might be more packages for clients as well as more provided services, turning SMM-agency into full digital agency one day. The Education department might be created, where the corresponding employees would train people and then hiring the best students. Moreover, these educational courses might be conducted in some huge businesses, where the marketing departments exist, but the employees of them need to be trained in SMM.

The next step is partnership with relevant companies. It can be printing company, developing company or even a floral company to provide flowers for content creation.

However, there is a possibility to meet some threat on the way of business development. The most predicted one is appearance of new entrants in the market. Since the SMM is a new way of marketing, this niche is not much occupied, but with the time it will be. That is why there is a need in fast development and fast growth.

The last thing to be mentioned is marketing costs rise. This happens because social media networks set up prices for marketing according the demand on it. As it was already mentioned, marketing in social media networks is actively growing now, that is why there is a possibility that higher budgets for marketing would be needed.

#### 4.2.2. MARKETING PLAN

1. The Agency will be presented and will be showing its “life” for free in the social networks such as:

- Instagram
- Facebook
- VK

However, there will be specified budget each month for promoting in above-mentioned social networks. The employees will be configuring the promotions on the target audience.



2. There will be a website of the Agency, where potential customers will get through the link in social networks and through search engine optimization (Google search).
3. Social sharing from existing clients to their friends - business-owners.
4. Publicity and PR.
5. Business cards and business networking (presence on the conferences, business trainings etc.).
6. The Agency will have its own branding that will be memorable and recognizable.

### **4.3. FINANCES**

#### **4.3.1. REVENUE MODEL**

Revenue will be the difference between the amount of money we charge customers and the amount we pay to employees. The Agency will be focusing on long-term customer retention, through which will cover acquisition costs. The Agency will be working with major clients, who can afford the set price for our services, such as clinics, shopping centers, beauty salons, restaurants etc.

#### **4.3.2. FINANCIAL PLAN**

### **COSTS**

#### **Registration costs (paid once)**

Documents needed:

- Criminal history background (from Russia and from Czech Republic);
- Passport;
- Signed landlord's statement with a permission to use home address for business purposes;
- Rental agreement or accommodation confirmation with the duration of the lease;
- Application form for the trade license.

The registration costs of Sole Proprietorship in the trade license regulator are given in table:

Table 4: Services required to register Sole Proprietorship and their costs

NAME OF THE SERVICE	COST, CZK
State fee for the registration of Sole Proprietorship	1 000
Notarial and translator services	200
Criminal history record from Czech Republic	100
Criminal history record from Russia	0
<b>IN TOTAL</b>	<b>1 300</b>

Source: Author's creation

### “Packaging” costs (paid once)

To start the business, we have to create well developed and working website, to develop design of the Agency (logotype and brand book), to prepare some branding elements with logo and basic information (banners, badges, cups, sign on the door in the office).

TABLE 5: Single costs

NAME OF THE SERVICE	COST, CZK
Logotype and brand book development	5 000
Website development	2 000
Branding elements	7 000
<b>IN TOTAL</b>	<b>14 000</b>

Sources: <http://mariabastr.wixsite.com/mariabastr/prajs>, <https://printprague.cz>, <http://kmnl.ru>

Moreover, together with office renting we have to prepare all the needed equipment. The owner and each employee will need a computer, photographer will need a camera, one printer is needed for the office as well as kettle, microwave and a small fridge. However, we have to buy only computers and camera, since kitchenware and kitchen electronic devices usage is included into the rent as well as printing needs.

TABLE 6: Equipment

EQUIPMENT	QUANTITY	PRICE, CZK	COST, CZK
Computer	6	8 250	49 500
Camera	1	6 800	6 800
<b>IN TOTAL</b>			<b>56 300</b>

Source: <https://www.alza.cz>

As we know, all the equipment items have their terms of use and it is necessary to take their depreciation into account. The amount of depreciation of the equipment per year is 18767 CZK, therefore depreciation expenses per month are 1564 CZK.

**TABLE 7: Equipment depreciation**

<b>EQUIPMENT</b>	<b>COST, CZK</b>	<b>NORMATIVE TERM OF SERVICE</b>	<b>ANNUAL DEPRECIATION RATE</b>	<b>THE AMOUNT OF DEPRECIATION FOR A YEAR, CZK</b>
Computer	49 500	3	33,3%	16 500
Camera	6 800	3	33,3%	2 267
<b>IN TOTAL</b>				<b>18 767</b>

Source: Author's creation

### **Personnel cost (monthly)**

The wage fund in Czech Republic is taxed by the following rates:

Social insurance – 31.5% (25% is paid by the employer, 6.5% – by the employee);

Health insurance – 13.5% (9% is paid by the employer, 4.5% – by the employee);

Income taxes – 15%.

**TABLE 8: Personnel cost**

<b>POSITION</b>	<b>NUMBER OF EMPLOYEES</b>	<b>GROSS SALARY, CZK</b>	<b>SOCIAL INSURANCE (25%), CZK</b>	<b>HEALTH INSURANCE (9%), CZK</b>	<b>TOTAL EMPLOYEE'S COST, CZK</b>
Content-manager	1	25 000	6 250	2 250	33 500
Designer	1	25 000	6 250	2 250	33 500
Copywriter	1	25 000	6 250	2 250	33 500
Photographer	1	25 000	6 250	2 250	33 500
Advertisement specialist	1	25 000	6 250	2 250	33 500
<b>IN TOTAL</b>	<b>5</b>	<b>125 000</b>	<b>31 250</b>	<b>11 250</b>	<b>167 500</b>

Source: Author's creation

The next table shows how much employees will get after all deductions:

**TABLE 9: Salaries of employees**

<b>POSITION</b>	<b>NUMBER OF EMPLOYEES</b>	<b>GROSS SALARY, CZK</b>	<b>SOCIAL INSURANCE (6,5%), CZK</b>	<b>HEALTH INSURANCE (4,5%), CZK</b>	<b>INCOME TAX (15%), CZK</b>	<b>TOTAL SALARY OF EACH EMPLOYEE, CZK</b>
Content-manager	1	25 000	1 625	1 125	3 750	<b>18 500</b>
Designer	1	25 000	1 625	1 125	3 750	<b>18 500</b>
Copywriter	1	25 000	1 625	1 125	3 750	<b>18 500</b>
Photographer	1	25 000	1 625	1 125	3 750	<b>18 500</b>
Advertisement specialist	1	25 000	1 625	1 125	3 750	<b>18 500</b>

Source: Author's creation

There will be accountant working on outsource. The next table shows monthly cost of his services:

Accountant (working on outsource)	<b>2 500</b>
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Source: <http://leesora.eu>

### Marketing costs

The next table shows specified budget for promotion in below mentioned social networks. The budget for Facebook is higher, since most of business owners as well as businesses' pages are registered there. However, the shares of the total budget can vary with a time, once we get a picture which channel works better.

**TABLE 10: Marketing costs**

<b>TYPE OF MARKETING BUDGET</b>	<b>PRICE, CZK / MONTH</b>
Facebook	2 000
Instagram	1 000
VK	1 000
<b>TOTAL</b>	<b>4 000</b>

Source: Author's creation

## Other costs

TABLE 11: Other costs

SERVICE	PRICE, CZK / MONTH
Office rent	14 000
Utilities	included
Cleaning services	included
Website maintenance	500
<b>TOTAL</b>	<b>14 500</b>

Source: <https://www.kaizeninvest.net/arendaofisasmihov>

Let us continue with the numerical part of the business plan. This part includes financial support of the enterprise and the effective use of available financial resources and shows all the activities of the enterprise (income, expenses, forecasts, etc.) in monetary terms.

For all the below mentioned financial calculations the following initial data was accepted:

- Project start date: 01/06/2018;
- Calculations made for: 1 year.

## Capital resources

Table 12 shows capital resources used for starting and maintaining the Agency in the beginning such as bank loan and own capital which total amount is 900 000 CZK.

Own capital is 500 000 CZK. The next 400 000 CZK will be taken as a loan in Ceska Sportelna bank for 1 year and 11 months at 4,65% annual interest, that means that each month **18211 CZK** will be paid.

TABLE 12: Capital resources

ITEM	VALUE, CZK
Bank loan	400 000
Own capital	500 000
<b>TOTAL</b>	<b>900 000</b>

Source: Author's creation

**TABLE 13: Loan conditions**

Number of repayments	23 payments (1 year 11 months)
Interest rate	4,65%
APR	5,82%
<b>TOTAL AMOUNT REPAID</b>	<b>422 829 CZK</b>

Source: <https://www.csas.cz/en/personal-finance/loans/loan>

Table 14 shows the balance sheet, which includes assets, equity and liabilities. The balance sheet characterizes the property and financial condition of the company in monetary valuation for 2018.

**TABLE 14: Balance sheet, 2018**

<b>ASSETS, CZK</b>		<b>EQUITY &amp; LIABILITIES, CZK</b>	
<b>FIXED ASSETS</b>		<b>EQUITY</b>	
Equipment	56 300	Capital	500 000
<b>Total fixed assets</b>	<b>56 300</b>	<b>Total equity</b>	<b>500 000</b>
<b>CURRENT ASSETS</b>		<b>LIABILITIES</b>	
Inventory	7 000	Bank loan	400 000
Cash	836 700		
<b>Total current assets</b>	<b>843 700</b>	<b>Total liability</b>	<b>400 000</b>
<b>TOTAL</b>	<b>900 000</b>	<b>TOTAL</b>	<b>900 000</b>

Source: Author's creation

Table 15 shows that the number of clients increases in September, which leads to an increase in revenue and net profit. This happens due to the fact that so-called dead season ends and businesses need high activity in social media networks to attract new clients. Moreover, our promotion results take place in this increase, the Agency becomes more recognizable. Due to the same fact and also Christmas activities in any kind of business, the next increase in number of clients happens in the beginning of November. After New Year and Christmas there is a little decrease in number of customers, which happens because those customers need active promotion only during holidays, however major of clients stay with us on a long-term so-called subscription

system. Once we get more clients, the Agency has to expand, since the capability of one team is 14-15 clients in average, depending on their needs.

Revenue from clients is counted as an average between them. Let us suppose that one huge customer orders all the social networks for maintenance and additional services ( $3 \times 9900 + 4000 + 8900 + 3000 = 45600$  CZK), second one needs only Instagram maintenance (9900 CZK), one more client wants two social networks to be maintained with full management of one of them ( $9900 \times 2 + 10000 = 29800$  CZK), and the last one the needs two social networks to be maintained without additional services ( $2 \times 9900 = 19800$  CZK). Average revenue from each customer is:  $AV = (45600 + 9900 + 29800 + 19800) / 4 = 26275$  CZK.

TABLE 15: Net profit, 2018-2019 year

<b>MONTH</b>	<b>NUMBER OF CLIENTS</b>	<b>TOTAL REVENUE, CZK</b>	<b>TOTAL COST, CZK</b>	<b>NET PROFIT (BEFORE TAX), CZK</b>
June	4	131 375	279 875	-148 500
July	4	131 375	208 275	-76 900
August	4	131 375	208 275	-76 900
September	8	236 475	208 275	28 200
October	8	236 475	208 275	28 200
November	13	367 850	208 275	159 575
December	13	367 850	208 275	159 575
January	11	315 300	208 275	107 025
February	11	315 300	208 275	107 025
March	11	315 300	208 275	107 025
April	11	315 300	208 275	107 025
May	11	315 300	208 275	107 025
<b>TOTAL</b>		<b>3 179 275</b>	<b>2 570 900</b>	<b>608 375</b>
				<b>NET PROFIT (AFTER TAX), CZK</b>
<b>TOTAL</b>				<b>517 119</b>

Source: Author's creation

Table 16 shows all the planned revenues, expenses and profit or loss as a result for years 2018-2021. As it is planned to start the business in June, the “year” is measured from June to May of each year. In 2019/2020 the Agency plans to grow in 1,5 times comparing to the first working year by increasing number of clients and increasing volumes of orders (additional services, covering more social media networks), that is why it is planned to hire 3 more employees: 2 content-managers and 1 photographer, who will take care of new clients. It is planned to have 13 clients in average every month, while this number is 9 in 2018/2019 year. Since there are 3 more employees, 2 more computers and 1 camera are needed (depreciation is increasing as well), also the rent is increasing since the bigger office is needed (utilities are still included in the rent). Promotion for the second year remains the same, since we still need to increase the popularity of the Agency. However, the second year is the last one we pay money back to the bank, so in the third year we have 0 in this field.

In the third year the Agency plans to grow by 200% in profit, since it plans to conclude a contract with 2 huge shopping centers in Prague. Thus the growth in personnel expenses and office rent are expected. However, working with such big customers, the Agency will get popularity faster, that is why promotion budget is decreased. There will also be larger volumes of accounting work, so the budget for accountant is increased.

Income taxes are calculated as 15% of the profit, health insurance tax is not included into calculations since the author of the thesis has commercial insurance and according to the Czech law it is not obligatory to have a complex medical insurance until getting permanent residence. As for the social tax, it is not included into calculations since according to the Czech law students up to 26 years old without permanent residence do not pay social tax.

**TABLE 16: Income statement for 2018-2021 in CZK**

<b>ITEMS</b>	<b>2018 / 2019</b>	<b>2019 / 2020</b>	<b>2020 / 2021</b>
Starting the business expenses	15 300	0	0
Equipment	56 300	23 300	16 500
Rent & Utilities	168 000	240 000	300 000
Website maintenance	6 000	6 000	6 000
Promotion	48 000	48 000	30 000
Personnel expenses	2 040 000	2 680 000	3 950 000
Interest expenses	218 532	200 321	0
Depreciation of equipment	18 768	28 151	37 534



Taxes	91 257	231 471	302 777
<b>Total expenses</b>	<b>2 662 155</b>	<b>3 457 243</b>	<b>4 642 811</b>
Revenues from services	3 179 275	4 768 913	6 358 550
<b>Total revenues</b>	<b>3 179 275</b>	<b>4 768 913</b>	<b>6 358 550</b>
<b>PROFIT / LOSS (+/-)</b>	<b>517 119</b>	<b>1 311 670</b>	<b>1 715 739</b>

Source: Author's creation

Table 17 provides aggregate data regarding all cash inflows the Agency receives from its ongoing operations and external investment sources. It shows main sources of inflow and outflow of cash for 2018-2021 years.

TABLE 17: Cash flow statement

ITEMS	2018 / 2019	2019 / 2020	2020 / 2021
Bank loan	400 000	0	0
Own capital	500 000	0	0
Revenues from products	3 179 275	4 768 913	6 358 550
<b>Inflow of cash</b>	<b>4 079 275</b>	<b>4 768 913</b>	<b>6 358 550</b>
Personnel expenses	2 040 000	2 680 000	3 950 000
Operating cost	603 387	749 092	655 277
<b>Outflow of cash</b>	<b>2 643 387</b>	<b>3 429 092</b>	<b>4 605 277</b>
<b>CASH FLOW</b>	<b>1 435 888</b>	<b>1 339 821</b>	<b>1 753 273</b>

Source: Author's creation

### Payback period

$$PB = \frac{\text{Initial Investment}}{\text{Annual Cash Flows}} = \frac{900\,000}{1\,435\,888} = 0,63 \quad (0,63 \text{ of a year is } 7,5 \text{ months})$$

Payback period for the Agency is 7,5 months.

## 5. CONCLUSION

The aim of this bachelor thesis was to create a business plan for social media marketing agency that will be located in Prague, Czech Republic. The work was focused on processing the overall structure of the business plan, where special attention was paid to financial part to find out whether the idea is feasible and whether such business is profitable.

The theoretical part displayed how important is entrepreneur's understanding of the need for financial, material, labor and intellectual resources as well as for the sources of their receipt. Moreover, it displayed how important is it to accurately calculate the efficiency of resources usage in the process of the firm's work. In this part the entire value of business planning was revealed and structured.

The financial part clarified the significance of social media marketing in real life and indicated that the business idea is viable. The SMM-agency "PROLOOK" is going to produce a profit starting from the first year of existing. The presented business plan with planning for the next three years ahead demonstrates how the business is going to be developed and which profit it is going to make. During the first year it is planned to make 517 119 CZK, however, during the next two years it is planned to grow threefold due to increasing number of clients and volumes of orders as well as concluding contracts with larger customers.

Furthermore, the SWOT analysis was conducted, which clarified all the strengths and the weaknesses of the business as well as the ways of their retention and improvement respectively. Moreover, it showed the opportunities for the future development and future sources of profit.

All the goals of the thesis were achieved and according to the results of the research it was revealed that the project is profitable with the payback period of 7,5 months, while foundation of the agency requires 900 000 CZK of initial investment, 500 000 CZK of which will be financed from the own funds and the other 400 000 CZK will be taken as a bank loan and paid back from the funds of profit in a specified time.

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# 7. APPENDIX

## Brand identity



Logotype

PROLOOK