

Czech University of Life Sciences Prague

Faculty of Economics and Management



Diploma thesis extended abstract

Feasibility Study of Pralinkárna (small chocolate manufacturer)

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Summary of diploma thesis

The subject of this business plan is the establishment of an enterprise that is engaged in the manufacturing of chocolate products. The structure of the business plan has been adapted to meet the needs of this project. Part of the business plan is also a questionnaire that the author of this work carried out on the promotion of the company. The results were analyzed and used to create the market and SWOT analysis. The financial plan is a core part of this thesis; it provides a summary of the expected costs and benefits and also the sources of funding. The financial analysis was carried out from the basic financial statement overview as well as from the financial ratios; the break-even point was also determined. This thesis also describes the estimated situation of the company during the next five years. Risk analysis focuses on factors that can endanger the manufacturing of chocolate products. This thesis concludes with the answer of the profitability of this business plan.

Key words: Business plan, chocolate, financial analysis, marketing mix, competition, truffles, risk analysis, future development, survey

Aims of diploma thesis

The aim of this thesis is to create a business plan that serves as a real background for practical use. Based on results obtained from different parts of the business plan, it will be possible to assess whether the intended project is viable or not.

Partial aims:

For the theoretical part:

1. Product specification

This part is focused on definitions, chocolate manufacturing and processing.

2. Description of the business plan

This section describes the parts of a business plan.

For the practical part:

1. Analysis of the business environment

To fulfil this objective, an analysis of the fundamental determinants that have an impact on the realization of the company was made. Surveys provided information on who can form the target of the company and how the competition could affect the operation of the company.

2. Compilation of market analysis

The next step, which is a fundamental part of the business plan, is to construct a solid market analysis. The success of the company depends on: high-quality range, reasonable prices, well-chosen promotions and distribution.

3. Creating a financial plan

The phase of financial planning is based on the opening balance sheet and income statement.

4. Execution of an analysis

In this part, the financial situation of the company is analyzed and leads us to the break-even point. Based on information gathered, this will be an overall evaluation.

Methodology

This thesis is divided in two parts. The first part deals with the theoretical knowledge from the literature on which the business plan is built. It contains the history of cocoa and the basic concepts that explain the process of chocolate manufacturing. Furthermore, the first part of the basic information lists its characteristics, properties and structure.

The fundamental premise for the practical part is to obtain information from a sample of our target. This sample consisted of surveying potential customers, approximately 300 people. The survey was executed face-to-face, within promotions of the project on November, 2015. The questionnaire included items that gathered basic information (age, gender, salary, profession) from our potential customers; and items that collected practical questions, the perception of the product, price range and distribution.

In the practical part, an evaluation of the current situation was made using the PEST analysis, marketing mix and SWOT analysis. The view of the property and financial structure of the company provide the company's balance sheet, income statement and cash flow. It is necessary to notify the company about all your assets and the sources from where they are financed. Last part of practical part is the financial analysis, which is necessary to any financial decision. Its results based management of property and financial structure. To calculate the financial analysis, the author chose the calculation of financial ratios (activity, profitability etc.) and the breakeven point.

Conclusion and recommendation of diploma thesis

The first part of the analysis was to analyse both, external and internal environments. Market research was carried out in the form of surveys. A total of 15 questions were answered by 300 randomly selected respondents, from which 35 were men and 265 women. Most of the respondents aged 15 – 35 years old. Mostly of them are employed people or students, from them 177 buy pralines several times a year meanwhile, 71 respondents buy pralines several times a month. 132 of the respondents are willing to pay CZK 10 – 15 per piece of praline; and 113 people are willing to pay CZK 15 – 20. Most respondents buy chocolates for dessert or as a gift.

The SWOT analysis indicates that the strength of the company relies on the original product that is offered. It is possible to adapt it to new trends, handmade quality production and delivery across the Czech Republic is a plus. The great weakness is that a new company has a minimum reputation and a limited production capacity. Another weak point is the high price, which is not proportional to the quality of the product. Now, the opportunities are to expand the services offered, and the biggest threat to the company may be a lack of interest, low number of customers, rising of food prices and new competition.

There was also a marketing mix analysis. The main products of the company are truffles, but there are also other chocolate products and other services associated with the Pralíkárna, e.g. courses at Chefparade. The prices of all products are based on cost-oriented methods, combined with the method-oriented competition. Distribution will be through direct sale and through intermediaries in the market, B2C. Promotion is a very important element of the marketing mix, especially during the beginning of the business and in its course. Social networks, a website and participation at food events are the chosen marketing tools.

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marketing mix, especially during the beginning of the business and in its course. Social networks, a website and participation at food events are the chosen marketing tools.

The financial plan includes the opening balance, predicted revenues, projected costs and projected earnings. Revenues are predicted in three scenarios - realistic, optimistic and pessimistic. The determination of income is based on the market research. Revenues and expenses are calculated in all three variants, and all of them turn back positive figures.

Financial analysis plays in the feasibility study major role. In a study Pralinkárna was compiled projected balance sheet and profit and loss after the first year. From the reports, it is possible to see a profit for the current period, which is in the amount of CZK 159,536. The following statement - Cash flow shows an overall finances flow in the company. In this case, the total cash flow consists only of cash flow from operating activities, which reached CZK 158,300.

Greatly important point for the company is breakeven point. This was calculated for multi-product and its break occurs when amount of 50,611 units sold pralines. The last part of the financial analysis is financial indicators. Net working capital is estimated in the amount of CZK 223,646. The results of liquidity indicators are above the recommended values. This is caused by almost zero liabilities. For the company it is very positive solvency. On the other hand leads to less efficient use of financial resources. The results of profitability indicators are at very high levels. ROA and ROE shows the results of over 50%. ROS is in the range the recommended values are 2% - 50%. Because this is a newly established company, which has almost no liabilities and no comparison with the competition is very difficult to interpret the results ratios.

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