

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Diploma Thesis Extended Abstract

Feasibility study of sport center in Pardubice

Tomáš Beneš

Supervisor: Ing. Petr Procházka, Ph.D., Msc

© 2016 CULS Prague

1 Summary

The aim of this thesis is to create "Feasibility study of a sport center in Pardubice" called SportsAreUs. The business idea is to build and operate a sports complex in Pardubice. All activities will be delivered by the SportsAreUs, Ltd. company. The complex will offer to its customers a variety of sports and supplementary services under one roof. Above all, the complex is focused on tennis, badminton, and beach volleyball. Among other sports, there will be floorball, basketball, handball, and small football offered. The range of services will be complemented by a restaurant, offering light, quality meals, wellness area, gym, club room, and sporting goods shop. Aforementioned objectives are achieved by processing a specific feasibility study of sport center in Pardubice. The theoretical background is done using methods of synthesis, extraction, abstraction, induction, and deduction methods. There will be a market research performed. There is also a questionnaire method with closed questions used. Other applied exploratory analyses are PEST and SWOT. In order to find out the threats of competition, there will be an analysis of competitors done. The financial plan is done by creating the budget of initial expenses and a view of the company's finances, where the analyses of projected costs and yields from the sport fields, projected costs and yields from the shop, expected yields from the restaurant, the total anticipated profit, projections of cash flow, and financial indicators (ROI, Discounted payback period, Net present value) can be found. The timetable for the implementation and the risks of the project can be found in the next chapter. The section entitled "The Evaluation of Results and Recommendations" contains the summary of outputs from this thesis. Further on, there can be recommendations, visions, and goals for the future found. In the conclusion, there is the viability of the idea of the establishment and operation of the sport center in Pardubice evaluated.

Keywords: Feasibility study, Sport complex, Marketing mix, Financial plan, SWOT analysis, PEST analysis, Competitor analysis.

2 Objectives and Methodology

The main aim of this thesis is to create a feasibility study of a sports center called SportsAreUs. Present market environment in the Czech Republic, used in the feasibility study, is stated below. Another goal is to present a broad summary of the business operations that lead to the establishment of the sport center, including a detailed feasibility study, describing these activities in greater detail.

The aims mentioned above will be achieved by processing a specific feasibility study of sports center in Pardubice. The theoretical background is done using methods of synthesis, extraction, abstraction, induction, and deduction methods. There will be a market research performed. There will also be a questionnaire method with closed questions used (survey method), which will serve for better understanding of the target customers and revelation or understanding of their needs. The questionnaire will determine the relation of the local people to sport, their view of sport in Pardubice in general, quality of the existing sport centers, lack of sports facilities, pricing policy, required services in connection with the proposed sports complex, and more. Most of the respondents will be asked in other sport centers, which include similar sports like in the SportsAreUs. Other applied exploratory analyses are PEST and SWOT. In order to find out the threats of competition, there will be an analysis of competitors done. Other business opportunities will be discovered this way.

The financial plan is done by creating the budget of initial expenses and a view of the company's finances, where we can find the analysis of the anticipated costs and yields, projected costs and yields from the sport fields, projected costs and yields from the shop, expected yields from the restaurant, the total anticipated profit, projections of cash flow, and financial indicators (ROI, NPV, Discounted payback period).

Due to the fact, that all data used for the financial analyses, including calculations of the cost of labour, the cost of sales, fixed costs, and other variable costs are ex ante cost and profits calculations, the methodology consists only of financial forecasting methods and calculations. Based on these analyses and surveys, the scope of the business will be thoroughly evaluated and marketing strategy and financial plan created.

3 Conclusion and recommendations

The SportsAreUs should offer to its customers a variety of sport activities (tennis, badminton, beach volleyball, fitness), but also additional services (restaurant, shop, or wellness) at one centralized location.

The Sports complex has major competitive advantages, namely its location, comprehensiveness, uniqueness, and high quality of services that will enable it to achieve high number of visitors from the beginning of the operation. Target groups are primarily recreational athletes, who appreciate high quality service, and professional players, who take advantage of all the benefits offered. The pricing policy is based on average prices, but mainly on the amount of discounts and bonuses for regular customers.

On the financial side, the project should achieve a slight profit already in the first year that would grow significantly in the upcoming years. The company should not have a problem with the operation of its business, liquidity, or the repayment of the loans and deposits of the investors at any point of its operation. Return of the investment is, with an assessment of invested capital and reserves, calculated for a maximum of 13 years. In a project of such scope, this payback period is completely acceptable. Risks exist there, as it does with any project, and they are primarily a high initial investment, rather than the estimated attendance of the complex and problems with the company employees. However, for the elimination or removal of these and other risks, effective measures are already prepared. In the event that everything will run according to the plan, the company should proceed to the expansion of the complex from the third year of the operation.

The primary vision of the company is to meet the needs of its customers in long term, to build a large member base, and to become the most visited and highest rated sports facility in eastern Bohemia. Generally, the company plans to invest earned profits back into the complex. The company would particularly like the enlarging of the capacity of sport fields, the improving of their services and expanding the offer of center SportsAreUs. Prospectively there should be more focus on the school of badminton and beach volleyball. Attention will be also given to sporting goods and nutrition store which will be divided into two interrelated parts, namely the online shop and solid store. If everything will

conform to a predetermined forecasts then investment is scheduled in the pressurized inflatable hall on four clay tennis courts before the third season. Part of the expansion is two beach volleyball courts in the event of favourable development. Subsequently it would be considered the winter operation of beach volleyball, so to speak the inflatable pressurized hall for beach volleyball courts. In the first five years comes into consideration the construction of a new wellness zone with several saunas (Finnish, steam, infrasauna), salt cave, a cooling pool and hot tubs. Some of these premises customers could use privately and indulge themselves in very luxurious experience. The next step could be a new multi-purpose room which would be used for dances and all sorts of exercises (aerobics, yoga, Pilates, Zumba, BOSU, trampolines, etc.). In the long term, the company is considering also to build sport hotel with a capacity around 20 beds which could offer to its clients a unique background of the whole area.

The entire outlined development of the investment, is considered by the company as very satisfactory for the given situation and the amount of invested funds. Therefore, the intent is, according to the author's view, attractive and worthy of implementation. The main objective of the thesis was accomplished. Presented feasibility study is competitive, and it can serve as a basis for obtaining a loan at a banking institution.

The methodology and the theoretical part give a comprehensive basic overview of the mentioned issues, and they can serve as a guide for an entrepreneur about how to start a business, which steps to undertake, and where to look for specific information. The author examined in detail the legal environment for doing business in the Czech Republic, including the definition of the most frequently used legal form, namely a limited liability company. Last but not least, the author addressed the specifics of the sports industry and current trends, which are largely affecting business in this field.

Thanks to the possibility to write a thesis on this topic, the author convinced himself that the thoughts and ideas considering a project that one has only in his mind, and not on a paper, are quite distorted, incomplete, even misleading. Now, from his own experience, the author recommends to all, who would like to set up their own company in the future, not to underestimate the creation of a feasibility study. It is necessary to take it like obviousness that it can save them substantial complications in the future, eliminate certain risks, and help to achieve success.

4 Selected bibliography

- 1) PAUL RUSSELL SMITH, JONATHAN TAYLOR. *Marketing Communications: An Integrated Approach*. London: Kogan Page Publishers, 2004. ISBN 0749442654, 9780749442651.
- 2) KENNETH E. CLOW, DONALD BAACK. *Integrated Advertising, Promotion, and Marketing Communications*. New Jersey: Pearson Education, Inc., 2010. ISBN 978-0-13-607942-2.p.90-92
- 3) ROBINSON, Leigh (ed.). *Routledge handbook of sport management*. New York: Routledge, 2012, xxi, 470 p. Routledge international handbooks. ISBN 978-0-415-58788-4.
- 4) HISRICH, R.D., PETERS, M.P. *Starting a new business*. 1.issue. Prague : Victoria Publishing, 1996. ISBN 80-85865-07-6.
- 5) MICHAEL KEMMER, ANTJE BODEN. *“Price” as one Parameter in the Marketing Mix*. München: GRIN Verlag, 2012. ISBN 3656231257, 9783656231257.
- 6) BLAŽKOVÁ, Martina. *Marketingové řízení a plánování pro malé a střední firmy*. 1. vyd. Praha: Grada, 2007, 278 s. Manažer. ISBN 978-80-247-1535-3.
- 7) RUSSELL S. WINER, RAVI DHAR. *Marketing Management, 4. ilustrované vydání*. New Jersey: Pearson Education, 2001. ISBN 0136074898, 9780136074892.