

# **CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE**

Department of Management

Faculty of Economics and Management



## **BACHELOR THESIS**

**Develop a business plan for the creation of a company in Prague**

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## BACHELOR THESIS ASSIGNMENT

Veronika Vinogradova

Economics and Management

Thesis title

Develop a business plan for the creation of a company in Prague

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### Objectives of thesis

The purpose of this thesis is to formulate a business plan for a company «My world» providing travel agency services.

1. Analyze the economic activities of a travel company Ltd. «My world».
2. Create a marketing plan for the newly created company.
3. Develop organizational structure.

### Methodology

The methodological bases of the thesis are mostly analytical, statistical and empirical, including the method of comparative analysis.

## The proposed extent of the thesis

Approx 50 pages

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### Recommended information sources

KOTLER, Philip – KELLER, Kevin Lane. Marketing Management. Praha: Grada, 2007, 792 pages. ISBN 978-80-247-1359-5

Srpová, Řehoř a kolektiv, 2010 Základy podnikání "Teoretické poznatky, příklady a zkušenosti českých podnikatelů".

STUTELY, Richard. The Definitive Business Plan. Prentice Hall: 2007, 312 pages. ISBN-13: 978-0273710967

Veber, J. – Srpová, J. A kol. "Podnikání malé a střední firmy"

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### Expected date of thesis defence

2015/06 (June)

### The Bachelor Thesis Supervisor

Ing. Richard Selby, Ph.D.

Electronic approval: 10. 3. 2015

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Prague on 11. 03. 2015

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### **Statutory Declaration**

Hereby I declare, that this paper is my original authorial work, which I have worked out by my own. All sources, references and literature used or excerpted during elaboration of this work are properly cited and listed in complete reference to the due source.

Veronika Vinogradova

March 12th 2015

## **Acknowledgement**

I would like to thank my supervisor Ing. Richard Selby, Ph.D. For his help, recommendations and general direction. Also, I would like to thank my mom for moral support and Josef Pacula for proofreading.

**Develop a business plan for the creation of a company in Prague**

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**Zpracování podnikatelského plánu pro vytvoření firmy v Praze**

## **Summary**

Aim of this bachelor thesis is to create a useful business plan for establishing new travel agency company. The goal is to explain the process of establishing a new travel agency company in the Czech Republic. Initial part, literature review, deals with the theoretical basis that is then applied in the practical part. That section describes the created business plan in detail.

## **Keywords**

Business plan, Products and services, Ensuring business competitiveness, Marketing plan, Product planning, Risk assessment and Insurance, Financial plan

## **Shrnutí**

Zaměřením této bakalářské práce je vytvořit podnikatelský plán pro vytvoření nové cestovní kanceláře. Cílem je vysvětlit proces zakládání nové cestovní kanceláře v České Republice. Úvodní část rozebírá potřebnou teoretickou bázi, která je poté uplatněna v praktické části. Tato sekce detailně popisuje vytvořený podnikatelský plán.

## **Klíčová slova**

Podnikatelský plán, produkty a služby, konkurenceschopnost podniku, marketingový plán, plánování produkce, vyhodnocení rizik a pojištění, finanční plán



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# 1 Introduction

Relevance of the topic is that every entrepreneur, starting his business activities should clearly understand the need for the future planning in the financial, material, labor and intellectual resources, their sources, and be able to accurately calculate the efficiency of their use in the firm.

In a market economy, entrepreneurs are not able to achieve sustained success if they do not clearly and effectively plan their activities, constantly collect and accumulate information, both about the state of the target markets, position of their competitors and their own prospects and opportunities. There are key provisions available in virtually all areas of commercial activity for companies who are timely prepared and circumvent potential difficulties and dangers, thereby reducing the risk of not achieving their goals.

Therefore, development of strategy and tactics of production and economic activity is the most important task for the entrepreneur. A recognized form of developing strategy and tactics for entrepreneurial activity is a business plan.

The purpose of a business plan is planning activity in the short and long-term periods in accordance with the needs of the market and the ability to obtain necessary resources.

The main advantage of this type of planning is that a well written business plan shows the future development of the company, and is ultimately responsible for answering the most important question: is it worth investing in this business and whether it will provide profits which will repay expenditures and investments.

The object of the thesis work is a travel agency «My World s.r.o.».

The subject of the thesis is to develop a business plan for this company, operating in the tourism sector of activity.

## **2 Aim and Methodology**

The aim of the work is to develop a business plan for a travel company «My World s.r.o.», which will deal with tourism and tourist excursion service to St. Petersburg and Russia, for the Czechs, and tourists of other nationalities.

Objectives:

1. Study of the theoretical foundations of business planning.
2. Analysis of the economic activities of a travel agency «My World s.r.o.».
3. Create a marketing plan for the newly created company.
4. Develop organizational structure.
5. Analyze the difficulties that may hinder the practical implementation of the business plan.

Theoretical basis of the study is monographic study of literature on business planning. The methodological basis of the work is mostly analytical, statistical and empirical.

This work consists of an introduction, theoretical foundation, specific business plan for «My World s.r.o.», conclusion, bibliography. In the introduction is focused on the chosen theme, goals and objectives, subject, object of this work, as well as methods and theoretical basis. Theoretical foundation describes the theoretical aspects of business planning. The third chapter describes a business plan developed for the creation of travel agency «My World s.r.o.» as well as calculation of essential indicators of economic efficiency. The conclusion summarizes the results.

## **3 Theoretical Foundation**

### **3.1 Business**

According to business law the business is:

Set of tangible, personal and intangible components of business. The enterprise also consists of belongings, lawful and other assets owned by the entrepreneur and are or should be used to operate the business, due to their nature.

When defining the word “Business” the point of view is important. In the broadest sense business is a subject that transforms resources (inputs) into estates (outputs). More specifically a business can be defined as a set of resources and laws that serve the entrepreneur to execute the business activities [1].

### **3.2 Business plan**

Business plan is a document written up by an entrepreneur and is describing all significant external and internal factors related with starting a business or with operations of an established business. Business plan outlines business intentions of the entrepreneur for the future [1].

#### **3.2.1 Business plan structure**

##### **3.2.1.1 Resume**

Business plan begins with a section called resume. This section is created after the rest of the business plan already exists. It contains basic information about the proposed developments and is a preamble to the main part of the document. It is desirable that it is no longer than two pages. This section is important because it has to make a favorable impression on prospective investors. After reading the summary, the investor will either begin to study the business plan further, or reject the project immediately, without going into details.

The summary should be written very clearly, simply and succinctly and it must contain a minimum of technical terms. It is assumed that the document is read with no specific knowledge on the part of the investor, who is to invest in the project. In this case, the investor is primarily interested in two questions: what he would obtain as a result of a successful implementation of the plan and what the level of risk of losing money is.

Summary contains the following information:

- The purpose of the company (the essence of the project),
- funding of the project (what are the sources of financial and other resources),
- how the product or service is better than competition,
- key financial results for the planning period:
  - forecast of sales volume in respective units
  - sales revenue
  - total cost of the project
  - profit
  - return on investments

### **3.2.1.2 Types of goods and services**

Planning the assortment of goods (services) is the most important function of the management of a company. First of all, the potential of the company should be considered: manufacturing, financial, and material resources, marketing products, skills of existing staff, etc. Further, the needs of the market should be considered as well as the requirements of potential buyers on the parameters of the goods and services.

In the end, with the analysis on the possibilities of the company and market requirements, the company can choose the target customer range and adjust it to the individual market segments. This determines the position that each product takes on the market among the competing products.

### **3.2.1.3 Ensuring competitiveness**

Theory and practice of market economy suggests that competitiveness is the most appropriate criterion for making decisions for a company. Competitiveness comprises of two main factors: lower costs and specialization.

Low costs refer to the ability of the company to develop, produce and sell products more effectively than its competitors. This means that the company organizes the entire production cycle - from new product development to marketing it - in less time and at lower cost. This should take into account all the stages of production of a new product - from idea to generating revenue to the sale.

Specialization refers to the ability of a company to maintain a higher price on products or services than its competitors due to the ability to stand out among the manufacturers and distributors of similar goods. You can utilize any of higher quality at almost the same price, scheme convenient for the buyer as in delivery of the goods, a variety of colors or finishes or a successful system volume discounts.

The choice of competitive strategy depends on what opportunities are available to the company. Of course, this strategy is not given once and for all. In the process of development of the enterprise, it is clear in what areas should be invested in based on the current market situation.

Competitive advantages are divided on the advantages of low and high order. The low order advantages include the possibility of using cheaper materials and labor. These advantages are unstable, they do not always provide long-term leadership. The advantages of higher order are considered unique technology, highly qualified professionals, progressive release, such as environmentally friendly products. These advantages can ensure long-term success in the market, they are stable. Good reputation of a company is also a competitive advantage. Good reputation is earned over the years of successful work, requires large expenses for its maintenance, but also provides a positive return in the long run. Reputation refers to the competitive advantage of a high order.

#### **3.2.1.4 Assessment of market**

This is the most important section, and it should be spared neither means nor energy nor time. If the project is large, the preparation of this section requires participation of experts - marketers. Many failures in commercial projects are related to the incorrect evaluation of market capacity: goods produced, but no sales.

The first phase of market research - assessment of the potential of its capacity, i.e. determination of the total value of similar goods that consumers can buy in the region during a given period. Market capacity depends on the social, climatic, national and, above all, economic factors. Among the economic factors belong income level of potential buyers, the structure of customer's budget, the inflation rate, the presence of previously purchased similar products, etc.

The second stage - assessment of market share, which in principle can be covered by the enterprise. That is, the estimated maximum possible sales volume. The result is determined by the approximate number of buyers, you can count on in a month.

In the study of potential buyers, one can group them on the most important characteristics. Such customer groups are market segments. Market segmentation is used to select a group of customers to which you aim.

The third stage of market assessment is the forecast of sales and exemplary price at which buyers will purchase goods. For large projects, where the cost of failure is high, market



research and appropriate methods of mathematical modeling are used. For small projects expert judgment is generally used.

The forecast must be made for the entire scheduling period, generally three years. The forecast includes:

- Characteristics of the customer group that will buy the goods,
- seasonality of purchases (in this case it is important to take into account the seasonality of production and marketing),
- the amount that will be bought,
- the price at which it will be bought.

### **3.2.1.5 Information about competition**

It is useful to know the following about competitors:

- Which companies produce similar products,
- what are their sales,
- the quality of their products,
- the main technical characteristics,
- prices and pricing policies,
- a system of supply and marketing.

When assessing the competition, you must pay attention to the merits and demerits of their products and production. It is important to highlight on the merits of competition, which can be used for the development of your own production. The demerits of the competitors give a chance to get ahead of them, and to take better decisions.

### **3.2.1.6 Marketing Plan**

The main elements of a marketing plan are:

- Scheme of distribution of goods,
- pricing,
- advertising,

- methods of sales promotion,
- organization of aftermarket (servicing),
- formation of public opinion about the company and its products.

Full marketing plan is a very important document. The business plan is recommended to present it in a concise form, without going into details [3].

Veber, Srpová et al. (2008) set out the principles for elaboration of a business plan. The business plan should be:

- **Clear.** When creating a business plan it is appropriate to speak simply and clearly. Using tables promotes clarity.
- **Logical.** Ideas and information specified in the plan must be supported by facts, must ensue consecutively from one another and claims contained in the plan must be consistent.
- **Brief.** The ideas presented in the plan should be described briefly, but not at the expense of omitting important information.
- **Truthful and real.** Data and conclusions presented in the plan must be based on truth.
- **Respectful to risks.** The entrepreneur should try to identify risks that may occur in the future. If these are properly identified and meaningful solutions are proposed, they increase the credibility of the plan.

### 3.3 Entrepreneur

Entrepreneur is entity that independently performs on its own account and responsibility gainful employment under a trade license or similar means with the intention to do so systematically for profit [4, Section 420(1)].

According to Business Law n. 513/1991 an entrepreneur is:

- a person registered in the Commercial Register,
- a person who conducts business under a trade license,
- a person who operates on the basis of other than trade license under special regulations,

- a person who is engaged in farming and is registered in the register under a special regulation.

### **3.4 Running a business**

According to the Commercial Code "Running a business is a continuous activity carried out independently by an entrepreneur in their own name and on their own responsibility for profit."

### **3.5 Legal forms**

Prior to the commencement of business activity it is important to choose an appropriate form of business. The Commercial Code distinguishes between individual entrepreneur and corporate business. A individual entrepreneur is an entrepreneur registered in the Register of Licensing, who makes legal acts under his own name. A corporate business is registered in the Commercial Register and acts under its brand name (which is the name under which it is entered therein). The Commercial Code distinguishes between three types of legal entities - partnerships, joint stock companies and cooperatives [5].

### **3.6 The main features of a s.r.o. company**

A limited liability company (in Czech "společnost s ručením omezeným") is an entity whose registered capital is made up of its members' investment contributions and whose members are liable (as sureties) for the company's obligations until their paid-up investment contributions are entered in the Commercial Register [6, Section 106(2)].

#### **3.6.1 Activities related to the establishment and formation of s.r.o. company**

Establishment of a company is done by writing up a partnership contract. Establishment of a company is carried out in the Commercial Register, then the company is entitled to run its operations. The proposal for this enlisting must be filed within 90 days from the establishment of the company at the relevant registration court [5].

### **3.6.2 Procedure for starting a “s.r.o. business”.**

1. Signing of the partnership contract in the form of a notarial deed,
2. providing criminal record of the partners,
3. depositing initial capital of the company, or part thereof,
4. obtaining business licenses (trade licenses, etc.),
5. company registration in the commercial register,
6. company registration with the tax authorities [2].

#### **3.6.2.1 Signing of the partnership contract**

This contract must be in writing and form of a notarial deed. Writing and verifying of the partnership contract requires the presence of all partners, individuals and legal entities.

#### **The Partnership Contract**

The Partnership Contract also includes:

- The name of the company,
- subject of entrepreneurial activity of the company,
- the determination of shareholders stating the name and place of residence,
- determining the types of shares of each partner and the rights and obligations associated with them,
- the amount of the deposit or deposits per share or shares,
- the amount of base deposit,
- the number of directors and the way they act on behalf of the company.

The partnership contract may specify that the company will issue statutes that modify the company's internal organization and state some of the issues contained in the partnership agreement [6, Section 110].

### **3.6.2.2 Criminal record of partners**

They are used to verify the legal probity of directors, i.e. that they have not been convicted for an intentional offense to imprisonment for at least one year probation and has not been convicted of an offense concerning his professional conduct [5].

### **3.6.2.3 Deposit**

The minimum deposit is 1Kč, unless the partnership contract determines that the amount of the deposit is higher.

Non-monetary deposit will be appraised by an expert chosen from the list of experts maintained by legislation. Compensation of the expert for processing expert opinion shall be determined by agreement and paid by the company. In addition to the compensation the expert is entitled to a compensation for reasonable costs associated with the development of the review. In the event that the Company does not come into being, the founders pay the compensation jointly.

The experts referred to above is selected by the company's founders or the company's executive.

The expert's opinion contains at least a description of the non-monetary contribution, the valuation method used, the amount to which the non-monetary investment is valued, and reasoning for these conclusions.

The provisions of § 468 to 473 shall apply similarly; any new valuation shall be made pursuant to paragraphs 1 and 2.

An extract from the cadaster and proof the relationship to the mansion mentions the place where the business will be located. If an entrepreneur is not a property owner, he must prove the legal relationship to the mansion [6, Sections 142, 143].

### **3.6.2.4 Obtaining business licenses**

Any individual or enterprise entity who intends to operate a declared trade is obliged to notify the Trade Licensing Office.

A individual entrepreneur will provide in the notification:

- Identity card
- Proof of competence as to the selected trade
- Statement by the responsible representative (if appointed)
- Proof of legal grounds to use of mansions
- Proof of payment of the administrative fee
- Evidence that a trade certificate has been established (partnership contract or memorandum)

An enterprise entity will provide in the notification:

- Trade name and registered office
- The identification of the responsible representative
- Business activity
- Establishment in which it will operate immediately after the formation of the Trade permissions
- The date of commencement of trades
- The date of cessation of trades if the trade certificate is set for a fixed period [8, Chapter 1, 45]

### **3.6.2.5 Proposal for company registration in the commercial register**

According to the Commercial Code: "Commercial Register is a public list, which shall contain the statutory data on entrepreneurs."

The Commercial Register is mandatory to enroll:

- trading companies and cooperatives
- foreign persons (individual entities who are residents of outside the territory of the Czech Republic, EU or European Economic Area)

- individual entities who are entrepreneurs and citizens of the Czech Republic (or a State EU or another state of the European Economic Area), and file for entry into the OR 9
- other persons specified by special legislation [6, Section 34]

Mercantile Register:

- firm, with legal entities registered office, with individual entities place of residence and place of business, if different
- business activity
- legal form of legal entities
- individual identification number or date of birth
- identification number, which is allocated by entrepreneurs registration court
- the name and address or name and registered office of the person who is the statutory body of the legal entity or its member, and the onset and cessation of its functions; is a statutory body or a member of the legal entity, name and address of the persons who are the statutory body
- with a legal entity its identification number
- changes to these data [6, Section 38h]

### **3.6.2.6 Registration of the company at the tax office**

The first duty of the new company is its registration with the local tax authority.

### **3.6.3 Legislative definition of tourism**

The most important law governing the conditions for the establishment and operation of a travel agency is Act no. 159/1999 Coll., On business conditions and activities in the field of tourism and the Act e c. 40 / 1964 Coll., as amended in Act no. 455/1991 Coll., on Trades (Trade Act). The law is sometimes abbreviated as Act on certain conditions of business in tourism because it defines the basic terms in tourism.

The concept of a tour is defined in the new Civil Code as ready set of tourism services where by a contract the provider is obliged to deliver the service to the customer. Customer agrees to pay for these services.

Travel Agents according to the law c. 159/1999 Sb. have permission based on concessions to organize, market and sell tours. Its other activities include:

- offer or sell individual tourism services and their combinations,
- offer and sell services of other travel agencies and mediate their sales to other travel agencies or other persons, however travel contract shall always be concluded on behalf of travel office that is organizing the service,
- selling items related to tourism (mainly for tickets, maps, plans, souvenirs and other) [7, Section 2].

Travel company operations categorizes as a licensed trade [8, Section 23]. Ministry of Regional Development issues the application for a license to operate a travel company. Applicants must submit proof of the completion of professional qualifications, namely:

1. University education, higher vocational education or secondary education with graduation in the fields for tourism, or
2. a university degree and 1 year experience in the field, or
3. higher vocational education and 3 years of experience in the field, or
4. secondary education with graduation and 6 years of experience in the field, or
5. a certificate of training, other evidence of professional qualification issued by a competent accredited institution, 6 years of experience in the field, or
6. evidence of professional qualifications for the operation of travel agencies by special legal regulation 4 and 2 years of experience in the field, or
7. documents according to §7(5) points b) c) f) g) h) or i) of the Trade Act acknowledging of professional qualification of nationals of Member States of the European Union [8, Section 3].

An applicant for a license must also attach to his application:

- a contract with an insurance company on compulsory insurance in case of travel agency insolvency,



- business plan, including details on the entrepreneurial activity planned (in what domains the tourism company intends to do business, whether a part of a tour will also be travel, estimated number of clients),
- a statement proving that during the past 5 years there hasn't been a cancellation of trade license for breaching the laws or because of bankruptcy,
- a statement of the anticipated date of commencement of business activity [7, Section 5].

Before deciding on providing the concession, the Licensing Authority checks whether all general and special conditions for operating such a business are met. Ministry for Regional Development must reach a decision within 30 days of submission [8, Section 52].

Travel Agents must label their establishment and propagation materials and other materials with the words “cestovní kancelář” (Czech for "travel agency"), unless it is already included in the name of the company. When brokering a sale for another tour travel agency, in all promotions, invitations and other materials it must inform of the original travel agent of the service [7, Section 9].

All travel agencies are obliged to get insurance in case of travel agency insolvency. On that basis, the customer is entitled to compensation in the case when his travel agency for insolvency does not provide transportation from the place of residence abroad back to the Czech Republic, if the transportation back is also part of the tour, when it does not return the advance payment or price of the trip, if tour does not take place or the tour is effected only partially (in this case the travel agency must repay the difference between the price paid and the price of the trip).

Insurance must cover all tours sold within the validity period of the insurance contract. Travel Agents will receive from the insurance company, except insurance, also documents containing all information about such insurance for the customers.

Travel agency is obliged to submit prior to the conclusion of the travel contract bidders for inspection proof of insurance warranty of travel agency [7, Section 86]. Insurance can be

provided only by insurance companies who are authorized under law 369/1999 Sb.5, to operate insurance warranty.

The most significant insurance companies that provide insolvency insurance for travel agencies include:

- UNIQUA pojišť'ovna, a.s.,
- Generali pojišť'ovna, a.s.,
- Czech business pojišť'ovna, a.s.,
- Union pojišť'ovna, a.s.,
- ERV pojišť'ovna, a.s.,
- Slavia pojišť'ovna, a.s.

Travel agency is obliged to insure for at least 30% of annual planned revenues from sales trips or for at least 30% of sales last year. Travel Agents are also involved in the insurance claim amounts that can't be less than 2% of planned annual revenues. In case the Insurance termination the company is responsible to immediately inform the Ministry for Regional Development [7, Section 8].

### **3.7 Financing**

The financial plan determines necessary investment volumes and shows how economically viable the business plan is. Financial plan covers three areas. These areas include an estimate of the balance sheet, which provides information on the financial situation of a certain date, the development of cash flow over the next three years, and of receipts and expenditure with of three years. When thinking about corporate finance, it is important to take into account what figures represent historical, current and future data. If the entrepreneur is assembling the business plan for the purpose of starting a new business, it will address the future dates [9].

## **4 Analytical Part**

### **4.1 Summary**

Name of the company: a limited liability company, a travel agency «My World s.r.o.».

Address: metro «Krizikova», street Krizikova, d. 180/28.

Business type: travel agency activities.

Start date: August 31, 2015.

The business plan is designed for one year of operation of the enterprise. At the end of this period, you can continue the activities of the enterprise, if the goals and objectives are achieved.

Incorporation of a travel agency is planned, a sole proprietorship of «My World s.r.o.» in the tourist area of activity - external tourism. The decision to create a travel agency «My World s.r.o.» was decided single-handedly, by the founder on 13/10/2014, the business plan is designed for one year of operation of the enterprise. Start is scheduled to on 08/31/2015, and first service delivery to clients to 09/20/2015.

Travel agency «My World s.r.o.» will be engaged in foreign tourism and tourist and excursion service to St. Petersburg and Russia, for the Czechs and foreigners alike. The main focus will be to work with tourists from the Czech Republic. The company will pay special attention to ensuring that the customers get acquainted with real life in Russia. «My World s.r.o.» will be a private enterprise in the form of a limited liability company. Its owner, Veronika Vinogradova A, will carry out management.

Fundraising is not planned, because the owner of the company has sufficient funds to start this business.

The initial funds of the company are 2300000 Kč.

The break-even point is 1716757 Kč. A safety margin of 92%.

Level of profitability of 136%

Revenue from the project 838229 Kč.

Profitability index 1.3.

Manufacturing lever factor of 1, changing revenue by 1% increase in the profits of an enterprise 1 times.

Payback period of project 8 months.

Russia, having enormous tourist potential, occupies a very modest place in the world market of tourist services. It accounts for 1% of total world tourist flow. More than 80% of the current base of tourism services needs renovation. They do not create conditions to stimulate the flow of private investment into the sector, including from abroad. There is no system of scientific and promotional information support to promote national tourism products in domestic and foreign markets [10, 11].

The number of foreigners who want to see the beauty of Russia is increasing, however, meeting the demand fully is not yet possible. Russia for many of them is still a closed country. However, experts of the World Tourism Organization<sup>1</sup> (UNWTO) does not rule out that with proper organization of the tourism industry by 2020 Russia could climb to 5th place in tourism activity, only behind France, Spain, the UK and Italy. Russia recently became a member of the Executive Council of the UNWTO. And that means, according to experts, that Russia is on the rise in the tourism market [12].

## **4.2 Analysis of the market**

Individual tourism does not require substantial initial investment, and business owner uses her own personal funds as the initial investment. To Expand its activity, the company «My World s.r.o.» will be looking for a foreign partner who would guide customers to the firm «My World s.r.o.». Also, for the success of the company in the market it is planned to close a contract with Russian tour operators such as: "Biblio Globus", "Pegas Touristik", that is, with tour operators, mainly serving the Russian market of foreign tourism, to provide travel services in Russia.

To create a travel agency, the main objectives will be:

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<sup>1</sup> <http://www2.unwto.org/> official website of United Nations World Tourism Organization

1. A high volume of sales.
2. Increasing the share in market for particular products.
3. Development of new markets.
4. Gaining good reputation and image among consumers.
5. Create unique tourism products.

Possible other objectives:

1. Increase in the net income.
2. Improving the quality of products and service.
3. Analysis of sales promotion.
4. Development and strategy selection of travel agencies to promote tourism products of «My World s.r.o.» on the Czech market.
5. In a short time to build a network as a basis for promoting tourism products.

With development and implementation of new products, the goals will be:

1. Development of new products.
2. Increase in volume in manufacturing of these products.
3. Increase in market penetration and replacement of old products.

After denoting the objects of the company, it is necessary to characterize the activities.

### **4.3 Characteristics of activities**

At the initial stage of the development company «My World s.r.o.» is a small travel agency which is providing traveling services and products in Prague. The company «My World s.r.o.» provides tourist and excursion services to its customers to show Russian cities and countryside. Tourists spend their holidays in Russian families or, if they so wish, in upscale hotels. Experienced guides will give tours of the main historical and architectural monuments and museums of St. Petersburg and its suburbs and other cities nearby. «My World s.r.o.» offers customized tours, tailored to requests of the customer, and ensures high-quality transport services and catering.

Involves the following areas of activity:

- Youth tourism.

- Family tourism.
- Sightseeing tourism.
- Individual tourism and excursion tours based on individual programs.

Thus, the service of «My World s.r.o.» is designed for a wide range of consumers.

According to the results of review and ratings resource TripAdvisor<sup>2</sup>, St. Petersburg is among the top 10 most attractive cities in Europe for tourism [13]. The prognosis is that about 3.3 million foreign tourists will visit the city in 2015 [14].

The usual tour includes excursions of the historic palaces and cathedrals, which are iconic of the Russian history and are of undoubted interest. However, the experience shows that the majority of tourists also interested in actual life of the Russian people ("real Russia") - Russian family life, work and wages, shops and prices, problems with housing, education, health care. These tourists want to see homes of Russian people, both in the cities and in the villages, as well as schools, shops, markets. Such a variety of information provided actually creates a new service of higher quality; it is the highlight service of the company diversifies from the competition and gives promising outlook on success of the enterprise.

This approach has already been practiced by the owner of the company and constantly yielded satisfaction of the travellers.

#### **4.4 Assessment of markets and competitors**

Situated in the center of Prague, and also near the metro station Krizikova, services of the new company are sure to be in demand. Potential customers are families, students, both foreign and Czech, individual tourists, the elderly. It is situated near the shopping mall Palladium and bus station Florenc. Karlín district is one of the business Centers in Prague, and therefore hundreds of people pass through every day. In addition, there are many educational institutions whose students are passing by and can see the company, and then refer their friends. Of course, due to the location of the firm being in the center of Prague, the presence of different kinds of shops and shopping malls, it gives more opportunities for

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<sup>2</sup> <http://www.tripadvisor.com/> travel website providing reviews of travel-related content

successful existence, since there is flow of people every day, which gives great chances of acquiring customers.

Within 500m of the metro station Krizikova there are approximately 10 travel agencies engaged in outbound tourism to different countries of the world and companies that provide services for visas. But none of them provides services for foreign tourists, and even more so individual tours, excursions and programs in Russia.

We can say that activities of any travelling company are season dependent. It is important to consider what the most frequented time of year is for your final destinations. This period is from May to September. Therefore, at this time it is planned to strengthen the advertising campaign in hopes of increased flow of tourists.

#### **4.5 Marketing Strategy**

The company «My World s.r.o.» provides services that enable people to satisfy a natural interest to get acquainted with the way of life, mentality and culture of other countries, particularly Russia. The company «My World s.r.o.» will help people learn what is common and what are the differences between their own and the typical Russian way of life. Services are focused mainly on individual travelers or very small groups of three or four people who are interested in getting more insight into the real life of Russians, and not only to see its facade, as is usually shown by the majority of travel agencies. Typically, customers are offered traditional tourist set of views of Russia, which have nothing to do with how actually Russian people live.

Although the firm «My World s.r.o.» serves to fulfill all the wishes of its customers in the first place, it also offers help in achieving a better understanding of Russian reality. Depending on the choice of the client, the program may be composed of individualized tours based on his interest in the history, culture, politics or specific professional area (thematic excursions and specialized sightseeing). The great strength of the company is work of experienced professional guides who are ready to satisfy all the wishes of the client. Demand for such services is practically unlimited, since only very few companies offer them.

Existing travel agencies can be divided into the following groups:

1. Joint ventures, trips are sold to other branches abroad through an extensive network of travel agencies. These companies are focused on servicing large groups, in which individual service is practically non-existent.
2. Companies that do not produce a very big range of tourism products and destinations and implement them through a network of travel agencies or independently.
3. Private companies, usually with a low volume, interested in cooperation with foreign partners. In most cases, they offer a high quality service and an individualized approach to each client. Some of them are those that specialize in sports and health tourism.

The company «My World s.r.o.» belongs to the second and third groups. Niche market (individual, customer-oriented tourism in Russia) is large enough to make profit, and at the same time small enough to be attractive for large travel companies serving large flows of tourists. At the present time, the company attracts customers through direct contact or based on recommendations. The Company «My World s.r.o.» is looking for foreign partners to increase the amount of customers by establishing contacts with western firms that are eventually to lead to increased profits. The company also offers its services to local firms to obtain additional funds to go to the development of the company.

For a successful promotion of the tourism product on the market the company should resort to advertising companies.

Break down of the costs of an advertising campaign<sup>3</sup>:

The cost of 1 flyer is 0.62 Kč. On one day we plan to distribute 500 flyers. The distributor of the flyers is paid 50 Kč per hour. He will be working 8 hours a day. Accordingly, the distribution of leaflets on one day will cost 710 Kč.  $36 \text{ days} * 710 \text{ Kč} = 25560 \text{ Kč}$ . 36 days of handing out flyers for this purpose will cost 25560 Kč.

The magazine “Lidé a Země” is widely read magazine among people who want to travel and learn about different cultures. The magazine is published monthly. Advertising rates in this magazine are ranging from 643 Kč to 857 Kč for 1 publication. Total of 48 publications is planned. Accordingly, the average cost of publication for such a period will

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<sup>3</sup> Figures used in this section were taken from publicly-available price lists and tariffs and reflect rates in February 2015



be 643 Kč. 48 Publications will cost 30864 Kč. During the process of advertising we will analyze impact of our advertisements and we will react and modify future ads accordingly to the gathered information. We will also change the advertised tourist destinations, depending on current popularity.

In addition, we will run radio ad segments on the Czech radio station Impuls. The cost of one advertisement of 30 seconds, in the time range between 9am and 12am on the radio Impuls costs 5600 Kč. 3 ads a week in this radio will thus cost 16800 Kč. The date range for the advertisement campaign on this radio, as described in my business plan, will be from August 1st to August 31st, which totals to 67200 Kč for that period.

The company is also going to utilize World Wide Web to advertise itself. Firstly, it will set up a promotion page at <http://www.firmy.cz/>, which is a business oriented section of the most widely used Czech internet search engine, <https://www.seznam.cz/>. The basic plan is free and it allows for the page to show up in results when people search for travel agency services (especially with the connection to a search term “Russia”) in the aforementioned search engine. Based on the success of this campaign, more focus and budget is going to be spent this way.

In total, the advertising campaign for the full year will cost 123624 Kč. The breakdown is shown in Table 1.

**Table 1. The cost of the advertising campaign**

<b>Type of promotion</b>	<b>Frequency of use and terms</b>	<b>Costs (Kč.)</b>	<b>Costs per 1 unit (Kč)</b>	<b>Executor</b>
Distribution of leaflets at the exits of subway stations (every day 8 hours).	2 days a week, from August 31st to December 31st	25 560	710	Courier - contractor
Advertising in the magazine "Lidé a Země".	2 publications per week from August 31st to 14th February	30 864	643	Director
Advertising on radio "Impuls"	1 times a day for 30 seconds. 3 times per week from August 1st to August 31st	67 200	5 600	Director
<b>Total</b>				<b>123 624 Kč</b>

## 4.6 Production Plan

The production plan is projected sales of each type of tourism products, and the their implementation. Based on the fact that the firm plans to deal only with external tourism and excursion service for the Czechs, as well as for foreigners, the production plan will be presented in the form of two tables that are closely connected. Tourist activity is associated with strong seasonality, so to reflect this, we consider the volume of tourism products and services sold in a given month.

The planned products and services include:

1. Accommodation in Russian families. This type of tourism products will most intensively be sold in the period from June to October, i.e. during the Russian summer and early fall, and only when it is not very cold. Weather is a key factor in Russia for foreign tourists. And the accommodation is possible not only in St. Petersburg, but also in the Russian villages, as it is very interesting to foreign tourists. According to opinion polls, the sociologists found that foreigners visiting Russia, would love to get acquainted with Russian reality, and spending time with actual Russian family is a great way to achieve that.
2. Youth tourism. In April there will be tours to St. Petersburg for young people, as well as guided tours for schoolchildren and students. Special sales peak in this area is expected from May (a lot of people go on holidays in May on the weekends) to August (223 trips), when students are on school holidays and then December, January (87 trips), when Russia's most significant holiday of the New year is taking place.
3. Family vacations. Special sales peak is between May and September (241 trips), December, January (110 trips). In June, many are going to be treated in a sanatorium or simply relax. In July and August there is demand for destinations with pools for people to relax.
4. Sightseeing tourism. The main destinations of the tours will be Moscow, St. Petersburg, Golden Ring, Pskov, Vladimir region, Tver, Torzhok, Gus-Khrustalny. It should be noted that the sales will peak from July to November (231 trips).
5. As for individual tours and tourism, demand peaks especially during the holidays and during the warmer months in Russia, that is, from May to September.

Thus, for the full year it is planned to sell about 2321 trips.

The average cost of a tour or excursion is 10000 Kč.

The volume of expected average revenue from the sale of tours and excursions for the whole year is 23210000 Kč.

**Table 2. How many trips company plans to sell in a given month in each category**

Month / type of tourist products	Accom. of tourists in families	Youth tourism	Sightseeing tourism	Family vacations	Excursions (Czechs)	Excursions (Foreigners )	Individual tours (Czechs)	Individual tours (Foreigners )
September	20	20	21	30	20	15	20	10
October	17	30	40	20	10	20	20	10
November	15	30	70	40	10	20	20	5
December	20	46	20	40	15	10	20	5
January	20	34	20	47	10	10	5	5
February	15	27	15	39	5	8	8	5
March	15	30	10	20	8	6	9	5
April	5	29	30	30	5	10	10	5
May	10	39	40	41	23	34	32	10
June	15	39	30	50	40	40	40	20
July	20	58	50	60	30	20	40	25
August	20	58	50	60	28	20	30	40
<b>Total</b>	<b>192</b>	<b>440</b>	<b>396</b>	<b>477</b>	<b>204</b>	<b>213</b>	<b>254</b>	<b>145</b>

## **4.7 Organizational Plan**

«My World s.r.o.» is going to be a company in the form of a limited liability company. The owner carries out management.

Director of the company is V. A. Vinogradova (student of the Czech Agricultural University), who speaks English, Czech and Russian. V. A. Vinogradova has passed accredited courses "Travelling agency operator", "Guide - Interpreter", and "Small Business Management in Tourism". Management Skills have been acquired in the course of her work in Russia in the tourist company Ltd "MEDTOUR."

The duties of the director include the development of company image, marketing, executive decision making, working with partners, obtaining necessary licenses, staff recruitment and training, organizing tourist stay in Russia, business correspondence.

Chief Accountant is deputy director and performs operational management, accounting, and handling of the legal aspects of the company.

The duties of the tour operator of the company will include cooperation with transport companies, organizing accommodation and food for tourists, as well as all other necessary aspects of organization of tourist services. These include closing contracts with hotels, owners of apartments, guides, interpreters, and transport providers.

## **4.8 Financial Plan**

The success of every enterprise depends not only on the management company, but also on the staff. Providing ergonomic and well-equipped work environment is essential to efficient work productivity.

The company is going to need an office. The premises will be divided into two rooms: one room will be the office of the director, and the other for the rest of employees.

To there is no need for reconstruction, because the premises have already been renovated. Flat rental payment will be carried out every month. Office furniture, equipment and other

utilities will have to be purchased. Payment of utility services is not included in the rental price.

Rent of premises in Prague 8 is about 370 Kč / 1 sqm / month. Our company will require placement in a 30-sqm apartment. Thus, the rent for one month will be  $(370 * 30) = 11100$  Kč. Annual rent will be 133200 Kč. Utility payments will amount to 2000 Kč per month. Thus, utilities will cost 24000 Kč annually.

The office is also going to utilize a landline telephone, which will cost 1000 Kč per month (12,000 Kč annually), internet connection for 726 Kč per month (8712 Kč annually), other office supplies, 1200 Kč monthly (14400 Kč per year).

Total cost of these utilities will be  $12000 + 8712 = 20712$  Kč yearly.

The initial costs, i.e. costs expended before the company is founded are laid out in the table 3. It comprises mainly of administrative costs related to the founding of the company but also insolvency insurance (the figure has been calculated from the planned revenue of the first year of running the business).

**Table 3. The initial cost of starting the business**

<b>Item</b>	<b>Costs, Kč</b>
Concession trade enlisting	1000
Criminal record listing	50
Entry in the commercial register	6000
Partnership contract as a deed	3200
Insolvency insurance	232100
Issuance of the concession	2000
<b>Total</b>	<b>244350</b>

In total, the initial costs of starting the business will amount to 244350 Kč.

**Table 4. The initial cost of equipment of the enterprise**

<b>Item</b>	<b>Amount</b>	<b>Cost per unit, Kč</b>	<b>Costs, Kč</b>
Telephone	5	400	2000
Computer	5	7000	35000
Printer	3	1690	5070
Fax	1	2290	2290
Xerox	1	4190	4190
Cupboard	2	10490	22980
Table	5	1790	8950
Chairs	8	1290	10320
Drawers	5	1490	7450
Couch	1	6990	6990
Safe	1	1310	1310
Armchairs	2	4990	9980
Shelving	1	1998	1998
<b>Total</b>			<b>118528</b>

Hardware - 48550 Kč, Furniture - 69978 Kč.

Thus, the amount of initial investment into equipment of the company is 118528 Kč.

**Table 5. The qualification characteristics of employees**

<b>Position</b>	<b>Responsibilities</b>
Director	<ul style="list-style-type: none"> <li>➤ Development of company image</li> <li>➤ Marketing</li> <li>➤ Representation</li> <li>➤ Interaction with partners</li> <li>➤ Obtaining necessary licenses</li> <li>➤ Recruitment and training of personnel</li> <li>➤ Programming tourists stay in Russia</li> <li>➤ Business correspondence</li> </ul>
Deputy Director / Accountant	<ul style="list-style-type: none"> <li>➤ Operative Management</li> <li>➤ Legal aspects of the company</li> <li>➤ Bookkeeping</li> </ul>
Tour Operator	<ul style="list-style-type: none"> <li>➤ Cooperation with transport companies</li> <li>➤ Organizing accommodation and food for tourists</li> <li>➤ Other necessary aspects of organization of tourist services</li> </ul>
Courier	<ul style="list-style-type: none"> <li>➤ Delivery service</li> </ul>

**Table 6. Annual staff payroll**

<b>Position</b>	<b># of employees</b>	<b>Salary,1 employee,1 month, Kč</b>	<b>Salary, 1 year, Kč</b>
Director	1	25000	300000
Deputy Director / Accountant	1	20000	240000
Tour Operator	3	15000	540000
Courier	2	3000	72000
<b>Total</b>			<b>1152000</b>



In addition to the monthly salary, employees will receive bonus, e.g. for the production and/or personal results or salary increments for professional skill.

Calculation of allocations for social taxes and health insurance:

The unified social tax rate is 25% [15].

The amount of allocations for social insurance:

Allocations for social insurance for one year = payroll for 1 year \* 25%;

Social insurance for one year is  $1152000 * 25\% = 288000$  Kč.

The amount of allocations for health insurance:

Allocations for health insurance for one year = payroll for 1 year \* 9%; [16]

Health insurance for one year is  $1152000 * 9\% = 103680$  Kč.

Annual total for social needs is 391680 Kč.

Annual payroll and deductions for social needs is 1543680 Kč.

**Table 7. Staffing employees**

<b>Position</b>	<b>Work hours</b>	<b>Work days</b>	<b>Working hours per month</b>	<b>Breaks, including lunch</b>
Director	10.00 – 18.00	Monday-Friday	140	1 hour
Deputy Director / Accountant	10.00 – 18.00	Monday-Friday	140	1 hour
Tour Operator	10.00 – 18.00	Monday-Friday	140	1 hour
Courier	11.00 – 18.00 (depending on workload)	Monday-Friday	Depending on workload	30 mins

**Table 8. Financial Plan. Calculation of the amount of initial capital investments**

<b>Name</b>	<b>Cost, Kč</b>
Rent	133200
Utility payments	24000
Office equipment	118528
Establishment of s.r.o. company	244350
Advertising campaign	123624
Payroll, social and health care deductions	1543680
Telephone and Internet connection	20712
Stationery	14400
Contingencies	5000
<b>Total</b>	<b>2227494</b>

Thus, the amount of the initial investment is 2227494 Kč.

**Table 9. Calculation of the expenses of the enterprise**

Type of costs	Costs per year, Kč
Advertising costs	123624
Payroll expenses	1152000
Insolvency insurance	391680
Rent costs	133200
Bank fees and charges	1800
<b>Total</b>	<b>1802304</b>

Calculation of the company's revenue in the first year of operation

Based on the production plan, the estimated sales revenue can be calculated.

As mentioned above, the travel agency will work with tour operators under commission, realizing the tour package at a fixed price of the tour operator and receiving a certain percentage from the sale of the finished trips. For the calculations the average commission percentage of 25% will be used.

Gross revenue from the sales = 23210000 Kč.

Revenue after settlement with tour operators (commission) = 23210000 Kč. \* 25% = 5802500 Kč.

#### 4.8.1 Forecast Profit and Loss account (for first year of operation)

**Table 10. The scheme of calculating the profits of the enterprise (the calculations are carried out in CZK)**

1	Proceeds of sales	23210000
2	Calculations with tour operators	17407500
3	Payroll (1152000) Insolvency insurance (391680) Rent (133200) Utility payments (24000) Costs for telephone and Internet connection (20712) Stationery (14400) Contingencies (5000) Bank fees and charges (1800)	1742792
4	Gross profit, 1 - (2 + 3)	4059708
5	Advertising campaign	123624
6	Profit from sales (4-5)	3936084
7	Unexpected expenses	50000
8	Income tax (19%) [17]	747855
9	Net profit (6-7-8)	3138229

Profit will be deposited in a bank for contingencies.

#### 4.9 Risk assessment and reduction measures

All errors and omissions in production and services need to be tracked and identified. After a detailed analysis of the causes of such situations, appropriate measures should be taken to prevent them from happening in the future.

All risks that could threaten the company's activity can be divided into external and internal risks, and risks associated with the failure of the internal potential of the enterprise.

**Thus, the company would be in danger due to:**

1. Instability of the political situation in Russia, providing impact on foreign tourism.
2. Rising levels of crime, tourists would be afraid to come to Russia.

3. Unstable and inconsistent system of law in Russia, high inflation and frequent introduction of new taxes and licenses, which affect the cost of services and makes it difficult for medium and long-term planning.

**The risks of the internal environment include:**

1. Lack of mid-level (i.e. \*\*\*) hotels in St. Petersburg.
2. Tourism season (3-4 months a year).
3. Difficult travelling Russia visa acquisition for foreign citizens.

**The commercial risks include:**

1. Payment issues of partners and delay in fulfillment of contractual obligations,
2. Unforeseen costs, inadequate income generation.

**Risks associated with the failure of the internal potential of the company comprise of:**

1. **Lack of qualification of the personnel.** Staff recruitment should take into account the specifics of the enterprise as a whole and the work process. It is necessary to take into account the skills and qualifications of applicants and their psychological characteristics, ability to work with people and get on with the team.
2. **The staff should have sufficient motivation to work efficiently.**
3. **Failure to follow the projected plan due to resource shortage.**
4. **Lack of funds.** In case of lack of funds from the enterprise there should be a reserve fund for unforeseen expenses. This fund comprises of 50000 Kč listed under #9 in Table 10.
5. **Technical problems with equipment.** Selection of the technical equipment of the enterprise should take into account modern trends in specialized equipment and planned production volumes. Continuous monitoring of the state of equipment and timely repair or replacement of it in the event of failures is very important.

#### **4.10 The effectiveness of the business plan**

The level of return on equity = (Net profit / Investments) \* 100%

The level of return on equity = (3138229/2300000) \* 100% = 136%.

The level of return on equity is a market indicator and reflects the amount of profit per 1 Kč of the company's capital, characterizes the company's competitiveness and efficiency of the use of all funds.

#### Profit from the project

Profit from the project = Total net revenue for the first year - Investments:

$$3138229 - 2300000 = 838229 \text{ Kč.}$$

#### Profitability index

Profitability index = Net profit of the first year / Investments:

$$\text{Profitability index} = 3138229/2300000 = 1.3 \text{ times.}$$

This index must be greater than 1, indicating positive return on investments.

#### Break-even point

Break-even point = Fixed costs / (1 - (Variable costs / revenues (after settlement with the tour operator)))

Fixed costs = Salary + Insolvency Insurance + Rent + Utilities + Bank fees and charges.

Variable costs = Marketing costs + Stationery + Other costs

$$\text{Fixed costs} = 1152000 + 391680 + 133200 + 24000 + 1800 = 1702680 \text{ Kč.}$$

$$\text{Variable costs} = 123624 + 14400 + 5000 = 143024 \text{ Kč.}$$

$$\text{Break-even point} = 1702680 / (1 - (143024/17407500)) = 1702680 / 0.9918 = 1716757 \text{ Kč.}$$

Below this amount of revenue the sale of goods would be unprofitable.

#### Production leverage

Now let's calculate an indicator of "production leverage," which characterizes the change in profits of the enterprise, to the revenue by one percent. The value of "production leverage" defines the structural relationship of variable and fixed costs. The higher the proportion of fixed costs in total costs, the higher the "production leverage." Thus, the

"production leverage" is, on one hand, the characteristic of potential earnings growth, on the other, the risk profile of the loss of profit.

Production leverage = (Revenue - Fixed costs) /

/(Revenue - Fixed costs - Variable costs)

Production leverage = (23210000 - 1702680) / (23210000 - 1702680 - 143024) = 21507320/21364296  $\approx$  1

If you change the revenue by 1% the profit will increase by 1%.

### Safety margin

Knowing the break-even point, we can calculate the "safety margin", which shows how much the sales volume can decrease before it gets to the break-even point (if the actual sales are below the break-even point, it will show how much the sales have to increase to achieve the break-even level).

Safety margin = ((Revenue - Break-even point) / Revenue) \* 100%

Safety margin = ((23210000 - 1716757) / 23210000) \* 100% =  
= 21493243 / 23210000 = 92%.

That is, the company will continue to operate without loss as long as the sales do not decrease by more than 92%.

### Payback period

Payback period = Amount to be invested in the first year/ Net profit.

Payback period = 2227494/ 3138229 = 0.7.

The payback period in months is 0.7 \* 12 = 8 months. Thus, it appears that the project will pay off after 8 months.

## 5 Conclusion

Having discussed the purpose and nature of business planning, as well as various aspects of the practical implementation of business plans, it can be concluded that a business plan is an integral part of corporate planning, one of the most important documents developed by the company.

This thesis concerns the theoretical basis of the development and implementation of the business plan of the company, on the basis of which a new company is to be developed - a travel company «My World s.r.o.».

This company is engaged in domestic tourism and offers travel and tour services to St. Petersburg and Russia, to the Czechs, and foreign tourists alike.

We have investigated the market for this service, identified the main competitors, and developed the basic competitive strategy, built organizational chart, drawn up a financial plan.

The initial funds of the company are 2300000 Kč.

The break-even point is 1716757 Kč. A safety margin at 92%.

Level of profitability of 136%

Revenue from the project 838229 Kč.

Profitability index 1.3.

Manufacturing lever factor of 1, changing revenue by 1% increase in the profits of an enterprise 1 times.

Payback period of project 8 months.

Moving on, travel agency «My World s.r.o.» will improve its work and services. It will ensure it is providing good service and individual approach to each client.



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