

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Business Plan for a Chosen Business**

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**Supervisor: Ing. Tomáš Maier, Ph.D.**

# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Valeriya Korshunova

Business Administration

Thesis title

**Business Plan for a Chosen Business**

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### Objectives of thesis

The main objective of the thesis is to develop a detailed business plan for a bio peanut butter production business in Russia, Samara; evaluate the feasibility of the chosen business idea and conduct a financial analysis for the first three years of business operation.

The sub objectives of the thesis will include a conduction of SWOT and PEST analysis; research of new ways of business development based on the latter analysis.

### Methodology

As a methodology for the thesis we will use the 4 main accounting statements: Balance Sheet, Income Statement, Statement of Cash Flow, and Statement of Changes in Equity. We will also make such calculations as net present value (NPV), payback period (PB), and break-even-point (BEP). Finally, we will conduct PEST and SWOT analysis of the business.

**The proposed extent of the thesis**

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**Keywords**

business plan, start up, financial statements, peanut butter, SWOT, PEST

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**Recommended information sources**

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WUPPERFELD, Udo. Podnikatelský plán: pro úspěšný start. Praha: Management Press, 2003. ISBN 80-7261-075-9.

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## **Declaration**

I declare that I have worked on my bachelor thesis titled "Business Plan for a Chosen Business" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on

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**Valeriya Korshunova**

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# Podnikatelský plán pro vybranou oblast podnikání

## Souhrn

Tato práce se zabývá obchodním plánováním výroby bio arašídového másla v Rusku přesněji v Samaru. Typem podnikání byl vybrán produkt – arašídové máslo, které se nyní stává velmi populární na ruském trhu. Ačkoli v Rusku existují výrobci vyrábějící arašídové máslo, v dnešní době se lidé stále více zajímají o zdravou výživu a v tomto důsledku upřednostňují biologické a ekologické produkty. Z tohoto důvodu se autorka práce domnívá, že výroba bio arašídového másla v Rusku, má vysoký potenciál stát se velmi úspěšným typem podnikání, jelikož v Rusku v současné době neexistují žádní velcí producenti bio arašídového másla.

Literární rešerše poskytne čtenáři informace o tom, co je to podnikatelský plán a proč je jeho vývoj důležitý před vlastním zaváděním obchodní myšlenky v životě. Také popisuje nejpopulárnější a nejpoužívanější strukturu obchodního plánu a poskytuje podrobné informace a význam jeho jednotlivých sekcí. Součástí je také stručná diskuze o obsahu a cílech hlavní účetní závěrky a vysvětlení metod analýzy podnikání, jako jsou SWOT a PEST.

Praktická část práce bude popisovat detailní podnikatelský plán pro výrobu arašídového másla založený na struktuře podnikatelského plánu studovaného v části literatury. V části "reklama a propagace" je popsán také průzkum provedený autorem práce, který ukazuje preference zákazníků v Samaru a demonstruje potenciál produktu pro budoucí kupce. Nakonec podnikatelský plán zahrnuje čtyři hlavní finanční výkazy pro konkrétní podnikání včetně analýz SWOT a PEST. Součástí praktické části je i výpočet čisté současné hodnoty, doba návratnosti a bod přerušení podnikání ve finanční části práce.

**Klíčová slova:** obchodní plán, start up, finanční výkaz, arašídové máslo, SWOT, PEST

# **Business Plan for a Chosen Business**

## **Summary**

The thesis provides us with a business plan for a bio peanut butter production business in Russia, Samara. The following type of business has been chosen as the product peanut butter, is becoming very popular on the Russian market. Although there are manufactures producing peanut butter in Russian in general, nowadays people are becoming more and more concerned about their healthy diet and, as a consequence, give their preference to bio and organic products. For this reason, the author of the thesis believes that **bio** peanut butter production, with a few if no competitions in Russia (depending on the region) at the moment, has a potential to become a very successful start up.

The literature review part of the thesis will provide the reader with information on what a business plan is and why it's development is important prior the actual implementation of a business idea in life. It also reviews the most popular and used business plan structure and provides us with detailed information and importance of each it's section. Also in this part we will briefly discuss the content and aims of the main financial statements and will explain the business analysis methods such as SWOT and PEST.

The practical part of the work will represent a detailed business plan for the peanut butter production business based on the business plan structure studied in the literature review part of the thesis. In the "advertising and promotion" part of the thesis the author will introduce a survey conducted by the author of the thesis which shows the preferences of customers in Samara and which demonstrates the potential of the product to it's future buyers. Finally, the business plan will include the four main financial statements for the particular business as well as SWOT and PEST analysis; the author of the thesis will also calculate the net present value, the payback period and the break-even point of the business in the financial part of the work.

**Keywords:** business plan, start up, financial statement, peanut butter, SWOT, PEST

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# 1 Introduction

Nowadays people are becoming more and more concerned with their healthy diets and a proper, healthy and sporty lifestyle. In the 21<sup>st</sup> century as never before people become aware of all the danger and sides effects that go hand in hand with all the preservatives and flavor enhancers that are added to almost any product found on supermarkets' shelves today (not to mention a plethora of genetically modified products). As a consequence, in most of the developed countries of the world, one does not have to make an effort to find a specialized bio store or a bio market. What is more, even big common supermarkets and supermarket chains nowadays offer a bio version of almost any product a customer can think of.

The customers' preferences are changing. Therefore, businesses and enterprises specialized in food production must quickly react and adapt to keep up with customers' needs and wants in order to remain profitable and successful.

The business plan which is going to be presented in this thesis is dedicated to a launching of a bio peanut butter production business in Russia, Samara.

Peanut butter is not a traditional product on Russian tables. Nevertheless, it is becoming more and more popular among Russians following the success of many other American goods and products.

Even though one can attribute peanut butter to the list of not healthy products and would not recommend eating it on a daily basis, the reality is that peanut butter has vital nutrients that are essential for the body. It is rich of magnesium, folate, calcium, zinc, iron, vitamins A and E and many other nutrients. What is more, it contains only unsaturated fats and is a good source of proteins.

What can be better than peanut butter? Only bio peanut butter. The latter is the product we are going to produce and sell in Russian city Samara. Such peanut butter will be produced using only 2 ingredients: bio cacao powder and bio peanuts. One big advantage of this recipe is that there is no added sugar or salt in this product. Therefore, the peanut butter will deliver only benefits and we believe that its composition will satisfy even the most demanding clients.

## 2 Objectives and Methodology

### 2.1 Objectives

The main objective of the thesis is to develop a detailed business plan for a bio peanut butter production business in Russia, Samara; evaluate the feasibility of the chosen business idea and conduct a financial analysis for the first three years of business operation.

The sub-objectives of the thesis will include a conduction of SWOT and PEST analysis; research of new ways of business development based on the latter analysis; and also a conduction of a survey on customers' tastes and preferences the results of which will be used for the advertising and promotion of the product.

### 2.2 Methodology

As a methodology for the thesis, we will use the 4 main accounting statements: Balance Sheet, Income Statement, Statement of Cash Flow and Statement of Changes in Equity. We will also make such calculations as net present value (NPV), payback period (PB), and break-even point (BEP) and will conduct PEST and SWOT analysis of the business. Finally, we will conduct an online survey on customers' tastes and preferences in Samara the results of which will be presented in a form of diagrams with detailed description and explanation in the "advertising and promotion" part of the business plan.

#### **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 divisions give investors an idea as to what the company owns and owes, as well as the amount invested by shareholders".<sup>1</sup>

The balance sheet follows the formula:

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' equity} \quad (1)$$

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<sup>1</sup>Investopedia.com "Balance sheet". Available online at: <http://www.investopedia.com/terms/b/balancesheet.asp>

A balance sheet is not a dynamic document (it only provides the employer with a statement of financial position *at a moment in time*) meaning that it is impossible to read any trends of a business based on a balance sheet information only. However, one can compare companies' balance sheets over a multiple periods of time, as well as compare it to those of other businesses in the same industry and therefore make companies' evaluations and their comparative analysis. What is more, there are plenty of ratios that can be derived from the information represented in a balance sheet, such as debt-to-equity ratio, acid-test ratio or many others.

Balance sheets are usually prepared at a month or quarter's end.

### **Income statement (Statement of profit or loss)**

“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>2</sup>

Unlike the balance sheet, income statement provides us with information on company's performance *over a period of time (not at a point in time)*. The period of time which an income statement will cover is chosen by the business, this time interval will be specified in the income's statement heading.

It is important to keep in mind that an income statement does not show either cash receipts or cash disbursements, it only shows revenues and expenses, gains and losses of a business.

Using an income statement, one can determine *profit or loss* of a company over a specific period of time. Every income statement follows the same formula:

$$\text{Revenues} - \text{Liabilities} = \text{Profit} \quad (2)$$

As well as a balance sheet, income statement provides its readers with multiple ratios valuable for a financial analysis of a business. With the information provided in the income statement, such ratios as return on equity (ROE), return on assets (ROA),

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<sup>2</sup> Investopedia.com “Income Statement”. Available online at: <http://www.investopedia.com/terms/i/incomestatement.asp>

gross profit, operating profit, earnings before interest and taxes (EBIT), and earnings before interest taxes and amortization (EBITDA) can be calculated.

### **Cash Flow Statement**

The cash flow statement should represent cash flows for the period, classifying them according to operating, investment and financial activities.

Unlike the balance sheet and income statement that includes future incoming and outgoing cash (that has been recorded on credit), a cash flow statement includes only those transactions in which cash (money) has actually/already changed hands (has been added or withdrawn from company's account). Thus, net income that is calculated in a balance sheet and an income statement is not the same as the actual cash flow of a company in a given period of time.

We divide cash flow statement into 3 sections in accordance with the ways of how cash can be either received or spent: through core operations (depreciation, account receivable/payable), financing (changes in loans, debts) or investment (changes in assets, equipment).

A company can use cash flow statements in order to plan its budget (as a cash flow statement is used to predict future cash flows). Investors can see whether or not a company is financially healthy (the greater the cash flow is the better).<sup>3</sup>

### **Statement of Changes in Equity**

“This accounting report shows all the changes to the owner's equity that have occurred during the period. These changes comprise capital, drawings and the profit for the period”.<sup>4</sup>

For interested persons a statement of changes in equity gives a presentation of how the equity reported in the balance sheet changes from the beginning of the reporting period to the end of the reporting period.

A statement of changes in helps a business owner to learn how financial transactions and factors affect the money or capital he/she has put in that business.

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<sup>3</sup> However, sometimes a negative cash flow results from a company's growth strategy in the form of expanding it's operations <http://www.investopedia.com/articles/04/033104.asp>

<sup>4</sup> Accounting basics for students “Statement of Owners Equity”. Available online at: <http://www.accounting-basics-for-students.com/statement-of-owners-equity.html>

## NVP

In the financial part of a business plan one can also calculate the NPV (net present value). “Net present value is a calculation that compares the amount invested today to the present value of the future cash receipts from the investment. In other words, the amount invested is compared to the future cash amounts after they are discounted by a specified rate of return”.<sup>5</sup>

Net present value is calculated using the following formula

$$NPV = I_0 + \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^T} \quad (3)$$

Where:

$I_0$  = initial investment

CF = cash flow

r = discount rate

T = time

### Payback period

The payback period is the time the company needs to recover its initial investment. In other words, in this case the coefficient shows how long it will take to return the invested money and begin to make a profit.

The payback period is calculated using the following formula:

$$\text{Payback Period} = \frac{\text{Initial investment}}{\text{Cash Inflow per period}} \quad (4)$$

It is important noticing that the payback period absolutely ignores the time value of money. For this reason, in the business plan, it is important to include the calculations of other businesses indexes such as NPV (which was described above) which also consider the time value of money in their calculations.

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<sup>5</sup> Accounting coach, “What is NVP?”. Available online at: <https://www.accountingcoach.com/blog/npv-net-present-value>

## **Break-even point**

“The break-even point can be defined as a point where total costs (expenses) and total sales (revenue) are equal. Break-even point can be described as a point where there is no net profit or loss. The firm just ‘breaks even’. Any company which wants to make abnormal profit, desires to have a break-even point”.<sup>6</sup>

The break-even point is calculated using the following formula:

$$Q = \frac{FC}{(P - VC)} \quad (5)$$

Where:

FC = fixed costs

P = price per unit

VC = variable costs

## **SWOT and PEST analysis**

### **SWOT**

SWOT analysis is a method of business evaluation in which S stands for strengths, W for weaknesses, O for opportunities and T for threats. When we speak about SWOT we can divide it into 2 parts: internal (in a company’s control) and external (not in a company’s control). Strengths and weaknesses refer to the internal part, while opportunities and threats to the external.

The SWOT analysis graphical representation is a square which is divided into 4 sections. This type of visual representation allows the reader to quickly evaluate the company’s position.

In order to create a useful and valuable SWOT analysis, a company must be very realistic about its good and bad points. It is important to keep the SWOT analysis short and simple and try to avoid any over complexity. A company should use a SWOT analysis as it is guide to improvement and not as a prescription.

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<sup>6</sup> Readyratios.com, “Break-even point”. Available online at: [https://www.readyratios.com/reference/analysis/break\\_even\\_point.html](https://www.readyratios.com/reference/analysis/break_even_point.html)

*Strengths*, in a SWOT analysis, describe company's strong sides and points by which a company separates/differs from its competitors. It can be an extensive loyal customer database or a unique production technology. The employer, as an owner of a business, should try (objectively and rationally) to name as many strengths as possible in order to decide then on how to use them for the attraction of new investors and conviction of new creditors.

*Weaknesses* are those points that stop the company from performing at its optimal level. These are the points that are needed to be improved and worked on in order for a business to remain competitive and profitable, as well as to convince more investors to deposit in the business. It can refer to weaknesses to things such as: high levels of debt, unreliable supply chains, weak balance sheets and etc.

*Opportunities* are those external factors (combinations of circumstances) that, if used well-timed and correctly, can be favorable for company's development and overall performance. As opportunities are external factors it means that it is impossible to create them (as strengths, for example) and they are only beneficial to those who take advantage of them in time. We can refer to such opportunities as: a big event on which the entrepreneur can advertise the product, changes in the economical situation (reduction of tariffs) and many others depending on the market the employer is working in.

*Threats* are those factors that can harm a business. They are things such as an emergence of a new strong competitor, introduction of new taxes on the products and etc. A company must work on identifying the present and future threats in order to be prepared to overcome them before they have a potential to destroy a company.

Speaking about SWOT's advantages, we can mention that it has little or no cost as anyone who knows the business well can conduct it. Also it is a good scheme to be used during company's meetings as it visually points out the things that need to be kept stable (such as strengths) or those that need improvement (such as weaknesses). By using a SWOT analysis a company can also set goals and strategies for achieving them.

However, there are some disadvantages of SWOT analysis. First of all, a SWOT analysis only covers different issues and does not offer solutions or alternative decisions for them. Another weak point is that while producing a lot of information about the company, sometimes not all of it can be considered useful.



Overall, a SWOT analysis can be referred to as a good tool for business evaluation. Nevertheless, it is not relational for a company to rely only on one method of business analysis. Thus, let us continue with a description of another well-know and widely used company's evaluation "tool" – PEST analysis.

## **PEST**

PEST Analysis (Political, Economic, Social, and Technological) is "a method whereby an organization can assess major external factors that influence its operation in order to become more competitive in the market. As described by the acronym, those four areas are central to this model".<sup>7</sup>

As stated above, PEST analyzes 4 macroeconomic factors (Political, Economic, Social, and Technological) which affect the performance of a business in a long term run. All these factors are external; thus we cannot usually control their emergence or disappearance. However, it is under the control to take time to conduct PEST and make conclusions based on the information assessed. PEST can help an organization to take advantage of the opportunities that the 4 factors can create and, on the other hand, manage potential threats they may bring. Let us learn about each of the 4 PEST factors in more detail.

**Political** – political factors refer to governmental regulations (such as, for example, introduction of new employment or other laws, trade regulations and etc.) or changes in legislation that can influence the trade market and business environment. Political factors also refer to the political situation in a country in general, as well as its international relations with the rest of the world, which can also generally influence the organization.

**Economic** – economic factors look into economic issues that can possibly have an impact on organizations and businesses. They include main indicators of national economy (GDP, inflation rate, rate of unemployment, and balance of payments), taxes, interest rates, customer confidence, and etc.

**Social** – social factors mainly refer to the changes in peoples' lifestyle and buying habits. They include cultural aspects, education level of customers, their age and others.

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<sup>7</sup> Investopedia.com "PEST analysis". Available online at: <http://www.investopedia.com/terms/p/pest-analysis.asp>

**Technological** – technological factors include innovations, licensing, manufacturing technologies and etc. They can either positively or negatively influence the business and buyers. For example, an introduction of a new manufacturing technology can lower the production costs and thus make a product more affordable to buyers.

Speaking about advantages and disadvantages of PEST analysis, we can point out that PEST's biggest advantage and its biggest disadvantage at the same time is that it analyzes external macro environmental factors only. Thus it does not consider internal factors of a business. For this reason, using PEST helps the employer to deeply analyze the external factors that may positively or negatively affect the business or a project (and that are not fully described in the external part of a SWOT analysis). However, for an efficient management of a business, one must know its business internal factors also, which, for example, are well described in an internal part of SWOT analysis. For this reason, the best strategy for a business would be to use a combination of both PEST and SWOT analysis. The way of how one can derive benefits from both SWOT and PEST analysis, is to **perform an extensive PEST analysis and use the information derived in the opportunities and threats sections of a SWOT analysis**, so that every factor that may influence the business is taken into consideration.

## 3 Literature Review

### 3.1 What is a business plan and why do we need it?

Today we are living in a fast changing world. Most of ideas that seemed more like a science fiction a few decades ago have already been implemented in life and we even take some of them for granted. Ideas have a great value today and can be transformed into successful and highly profitable businesses. However, are all business ideas good? Can we actually build a business from all ideas that come to mind? The answer is no. However, we can evaluate the ideas and see whether they will pay off or will become a complete failure. Creation of a business plan is one of the ways of how one can evaluate his/her business idea and prove that it can really work, both logistically and financially.

What is a business plan? “A business plan is a living document that maps out the details of the business. At its core, **it helps the employer prove to yourself and others whether or not the business idea is worth pursuing**”.<sup>8</sup>

For an entrepreneur who wants to start a new business, an ability to take an objective look at his/her business idea (with the help of a business plan) can become a curial point in whether or not his/her business is going to succeed.

Why do we need a business plan? A business plan has two main purposes: “the first, and most important, is to serve as a guide during the life of the business. It is the blueprint of the business and will serve to keep entrepreneur on the right track. Second, the business plan is a requirement if the entrepreneur is planning to seek loan funds. It will provide potential lenders with detailed information on all aspects of the company's past and current operations and provide future projections”.<sup>9</sup>

### 3.2 Business plan structure

A regular business plan consists of 4 main parts which are: the description of the business, the marketing plan, the management and operations plan and the financial plan.

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<sup>8</sup> Lindsey Kolowich, “How to Write a Business Plan: A Bookmark Able Guide (With Examples)”. Available online at: <https://blog.hubspot.com/marketing/how-to-write-a-business-plan>

<sup>9</sup> U.S. small business administration. “How to write a business plan”. Available online at: <https://www.sba.gov/sites/default/files/How%20to%20Write%20a%20Business%20Plan.pdf>

A business plan begins with a statement of purpose (mission statement) which is also known as an executive summary. It must be 2 or fewer pages in length. One must include all the information that entrepreneur would be able to cover within 5 minutes' interview with lenders and potential investors. It must explain the fundamentals of a business and include information about what product is, who the customers will be, who the owners of the business are and etc. It is important to keep this part clear and concise but also enthusiastic and professional. After one has read the executive summary, entrepreneur must want to continue reading the business plan and learn more about the business. However, at the same time, already have a good understanding of the business and how it intends to operate. Even though this part goes at the beginning of one's business plan, it is better to write it the last (after a business plan has already been completed) when all the information and financial data needed is available. The executive summary is followed by 4 main sections of a business plan.

### **3.2.1 The description of the business**

This section can be subdivided into 3 main parts: business description, product / service description and information about the location of the business.

#### **Business description**

In this part of a business plan, the entrepreneur is supposed to answer questions such as: "What will your business be like?", "What is the overall mission of your company?", "What are your business goals and objectives?". When writing this part of the business plan, the entrepreneur wants to go into a greater detail about the business. Entrepreneur should explain which business entity will be chosen (proprietorship, partnership, corporation, etc.) for this particular business, what business type the business is going to be (merchandising, manufacturing or service), why entrepreneur believes the business will be profitable and other things such as opening office hours and a list of people who will help to manage the company.

#### **Product / Service description**

In this section employer should give a detailed description of the product from raw materials to a finished item. In this section, it is also important to make emphasis on how unique the product is and explain how the product will benefit the customer.

It will also be useful to mention the actions in case of "the worst case scenario" such as, for example, a sudden decrease of orders or a loss of a major supplier.

## **Location**

The selection of the location of the business is one of the most crucial steps to its either success or failure. The location of business must be built around the customers. Thus, in this section, one must be able to explain why a certain location has been chosen, what costs will be associated with the location of the business and how the chosen location will benefit both the business and customers.

### **3.2.2 Marketing plan**

The marketing plan is a vital part of the business plan. For a successful marketing of a product, the entrepreneur must have a clear understanding of who the customers are, their age, preferences and etc. The entrepreneur should also know who the competitors are, which pricing strategy employer will choose and why, and last but not least, how the employer is going to advertise and promote the product. Let us talk about each of marketing aspects in detail.

#### **Competition**

Competition is a normal life phenomenon. However, particularly in business, the employer gets to know the fiercest the most violent form of it. In order for a business to be successful, it should identify it's direct and indirect competitors. It is good to keep a record of the business's closest competitors with the information on how often they advertise, sponsor promotions and offer sales. All this information will help the employer to understand the competitors' strategies and always be one step ahead of them.

#### **Pricing strategy**

The price entrepreneur sets on the product can either improve or aggravate its competitiveness. In case the employer has a small business, the employer may think that setting the lowest possible price can help employer winning the market share. Unfortunately, it is not really like that as most likely large competitors can under price entrepreneur anyway and such pricing strategy will only rob entrepreneur of needed profit margin. For any business in a competitive market, it is always better to keep the prices on average and rather compete on the quality of a product or service.

When a new product enters the market, the owners of the business can choose from 3 classic pricing strategies, which are: price skimming, penetration price and status quo. Let us talk about each separately.

### *Price skimming*

The price skimming strategy is when businessman charges a high introductory price in tandem with a heavy promotion. After a while businessman gradually lowers the price of the product. The businessman can use this pricing strategy when businessman know that the product has a strong uniqueness which cannot be easily copied. It is also a good strategy for those businesses which have invested a lot in the development of the product and wish to recover these investments as soon as possible.

### *Penetration price*

Penetration pricing strategy is usually used when a company wants to reach the largest amount of their target market and for that charges a low price for their product initially.

This strategy mostly counts on the recommendations that come from people who purchase the product. As the price of the product is lower than it's competitors' prices, people become willing to try this new product. In case they are satisfied with its quality, they will most likely continue purchasing it and, what is more, will recommend it to others. This will eventually result in more sales and higher profits for the company.

However, it may happen that the business can run into difficulty if setting the penetration pricing strategy. In case a company chooses this particular pricing strategy, it must be prepared for a huge demand that may occur as a result of a low product price, thus it must make sure that the product is being constantly produced and is always in stock in order to not have disgruntled customers.

In case such strategy is used by a prestigious brand, it can cause the loss of brand equity. If a customer spends an enormous amount of money on a luxury piece of cloths and his/her neighbor buys a cheap collaboration version of the same brand (for example Kenzo and H&M collaboration) the person (who spent more) may feel that his/her social status has been minimized.

### *Status Quo*

The idea of Status Quo pricing strategy is to charge the same or a close price to the competitors' prices. Airlines chains, for example, like to use status quo pricing strategy and constantly conduct researches on how much their competitors charge for the same products or services, in order not to lose their customers.

## **Advertising and promotion**

Advertising and promotion are the lifeline of the business plan. However, some business owners tend to underestimate the importance of this section. Nevertheless, business owners must always keep in mind that even the best business idea can fail as a result of lack of promotion and advertisement.

When writing this section of a business plan, one must determine what media will be used for advertising, how often and why, whether the employer will use social networks or TV for the product advertisement or not and etc. One should determine which methods of advertisement are more efficient for the target market and conduct regular checks on the methods of advertisement that direct and indirect competitors use. In the section, the employer can also think about whether or not the employer is going to use other methods than paid advertisement such as networks of friends or professionals, trade shows, product exhibitions and other events.

This section of the business plan should also be dedicated to the development of the business image. Which logo for the product/service will employer chose? How will the cards and brochures look like? If people come to the office, what design will it have? All this must be covered in the advertising and promotion section of a business plan.

### **3.2. 3 Management and Operations plan**

This section describes what people are behind the business. Is businessman a self-proprietor or a huge corporation? In case the businessman started the business alone as a sole proprietor, it is proper to tell about the abilities and also attach the resume in this section. If the businessman is going to manage the business alone, will businessman attends qualification courses and professional seminars in order for the business to function well? Or is the employer is going to outsource all service and advice employer may need? Answering these questions will help businessman to foresee any possible operational failures and will either help the business to attract new potential investors and lenders or will make them doubt whether or not such management will be able to bring the business to success.

In case the employer decides to form a partnership, explain why these particular people have been chosen as the partners and how their knowledge and experience will benefit the customers and business.

If the business is incorporated, it is important to give detailed information on the corporate structure, officers and the management team.

### **Personnel**

As the business is going to expand, the entrepreneur might need to hire more employees. And as people are the most valuable resources a business has, it is highly important to know what skills employer possesses and those employer lacks in order to hire personnel who will supply the skills that are missing for a successful operation of the business. In this part of the business plan, the entrepreneur can speak about what responsibilities a particular employee will have, what working schedule the worker will follow and how much his/her salary will be.

It is always important to keep the personnel informed of, and get their feedback regarding, changes. Depending on which management structure employer will choose, the top managers will either seek the employees' feedback and advice or will make all important decisions on their own without consulting the lower levels of management. It is always important to keep in mind that motivated and satisfied employees will be more involved and interested in the success of the business.

### **3.2.4 Financial plan**

After the employer has finished the “narrative” part of the business plan, businessman wants to switch to numbers and provide a financial analysis of the business. The main purposes of a financial plan are: 1) it helps to determine how much capital a business needs and how it is going to be used; 2) it is used to establish the profit potential; 3) it demonstrates whether or not a business can generate cash and maintain its operations, as well as repay loans.

While in the “narrative” part of a business plan one describes and explains the business strategies, “in the financial section, the employer will estimate the financial impact of those strategies by developing projected Income Statements, Balance Sheets, and Cash Flow Statements”.<sup>10</sup> It is usually recommended to create financial plan statements on a monthly basis as well as in 3-5 years' projection or until the time businessman supposes the business will become profitable and stable.

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<sup>10</sup> U.S. Department of Veteran Affairs, “Writing a business plan”. Available online at: <https://www.va.gov/osdbu/docs/vepBusinessPlanOutline.pdf>



It can be quite challenging for a start up to make accurate predictions regarding the business's profits and etc., as there is no own previous financial data to rely on. Start ups "must do extensive research to prove the reasonableness of their numbers. Examples of sources include: Industry data from public sources and trade associations, personal interviews with potential customers and people in the business, competitive observation and analysis, etc."<sup>11</sup> When all necessary data is gathered, one can move to the creation of financial plan which will include financial statements that we are going to discuss in more detail in the following sections.

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<sup>11</sup> U.S Department of Veteran Affairs "Writing a business plan". Available online at: <https://www.va.gov/osdbu/docs/vepBusinessPlanOutline.pdf>

## 4 Practical Part

In this section of the thesis, the author will apply theoretical knowledge of a business plan creation to a real business idea. The author of the thesis will follow the business plan pattern that was studied in the theoretical plan of the thesis in order to demonstrate its life application and, most importantly, in order to present the readers, the business idea.

### 4.1 Executive summary

The business is a wholesale production of bio peanut butter in Russia, Samara. The company's name "Bio Peanut Butter House". Peanut butter is becoming a popular product among Russians. However, in many regions of Russia, there are no local producers of this product. What is more, there are not many producers in whole Russia which produce it in a *bio quality*. Samara falls into the list of the cities which do not have any local producers of either simple or bio peanut butter. For this reason, the author of the thesis plan to start the business there in order to fill in the existing gap in the supply of local bio peanut butter to Samara inhabitants and inhabitants of nearest to Samara cities.

The peanut butter is a bio product which consists of only 2 ingredients: bio cocoa powder and bio peanuts. One more competitive advantage of the product, apart from the fact that we only use bio products for peanut butter production, is that we do not add any sugar or salt in the product like most of the competitors. Thus, the product really stands out in the line of the competitors.

As the business is a wholesale production the company is going to sell the peanut butter to other businesses such as: different accommodation facilities, restaurants, supermarket chains and etc. The company "Bio Peanut Butter House" is going to produce the peanut butter in two volumes: 30 gm and 150 gm. Those jars of 30 gm volume we plan to supply mostly to different accommodation facilities as the peanut butter of such volume can be easily served for breakfast. The 150 gm volume jars are planned to be sold to restaurants and supermarkets as they are a better option for everyday consumption and cooking.

The type of a business entity of the business will be sole proprietorship. It was decided to choose this type of a business entity as it is one of the easiest forms of a business entity in Russia in terms of registration, taxation and other factors. For this

reason, all the strategic and other important decisions in regards to business development will be done by the owner of the business (the author of the thesis). The owner of the business has a bachelor degree in Business Administration, thus, the author of the thesis possesses the necessary knowledge of management, accounting and other areas in order to manage the business successfully. However, the author is not the only person who is going to be working for the enterprise. At the beginning of the business activity, it is planned to hire one technologists, one assistant and one sales manager. With the development of the business in 2019 it is planned to hire more employees: two more technologists and one more sales manager. Accountant will be outsourced during the first years of business activity.

The owner of the business together with sales managers is going to conduct active sales of the product via emails and phone calls. The business enterprise will also have a web site and Instagram page on which the potential customers will be able to find all necessary information about the peanut butter produced by the enterprise. Also, to attract clients peanut butter is going to be advertised in different public places which the owners of different businesses may visit. The advisement of peanut butter will also be done on the Internet. The owner of the business together with her employees is also going to attend different exhibitions and workshops in order to attract new clients and get new professional contacts.

The personal investment of a business order in the enterprise will be 10 000 rubles, also a loan in the amount 540 000 rubles will be taken from Sberbank. According to the business plan, the enterprise aims to achieve a net profit in the first year of business activity. It is planned to make a full recovery of the investments within 6 years of business operation.

As the business is going to develop, the enterprise also plans to extend the line of the bio product it produces and also work on the extension of the market share not only in Samara and Samara oblast but in other parts of Russia.

## 4.2 Description of a business

### 4.2.1 Business description

The business idea is a bio peanut butter production business in Russia, Samara. The author of the thesis believe that the chosen business idea is a good option of a start up for a young and not very experienced entrepreneur. That is for the reasons that this particular business model requires neither big investments nor specific knowledge/skills for its accomplishment. What is more, the business we are starting to launch does not have big competitors and the product itself is relatively new on the Russian market. For this reason, the author believes that with a proper way of production and efficient marketing, we can take the biggest share of the peanut butter production market in Russia.

The author of the thesis believes that the business idea will be profitable as the product we are going to produce has a big amount of potential sales channels, such as restaurants, hotels, sanatoriums, supermarket chains and etc. What is more, the peanut butter itself as a product has a lot of strong sides, such as its diverse ways of usage, healthy benefits and, of course, it's taste.<sup>12</sup>

Additionally, the company have conducted a survey<sup>13</sup> in Samara of whether or not people would be willing to buy peanut butter and if they think this type of product is underrepresented in the region. The results of the survey gave us the confidence to launch the business.

The business objectives include: 1) developing a group of loyal clients represented by hotels, different accommodation facilities and supermarket chains in Samara; 2) extension of the range of the clients in other close to Samara cities and regions; 3) achievement of a net profit in the first year of business operation and to full recovery of the investments after six years of business life; 4) broadening the range of the bio products.<sup>14</sup>

A business type of the business will be wholesaling. The company is going to manufacture and then sell the peanut butter to different stores and supermarket chains. We will also be selling it to different businesses such as hotels and restaurants.

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<sup>12</sup> We will discuss the product in more detail in one of the further sections.

<sup>13</sup> The survey itself and its result will be discussed in a greater detail in the marketing section of the thesis

<sup>14</sup> The detailed information on future products is provided in the SWOT analysis table.

When it comes to the type of a business entity of the business, it will be sole proprietorship. The company has decided to choose this particular business entity as it has a lot of advantages above other existing entity types in Russia. According to the Russian legislation, sole proprietorship entity type can be dealing with almost any type of business activities, with just a few exceptions. These exceptions include, for example, production of alcoholic beverages, production and sale of weapons and some others. Food items wholesale production does not fall into the exception's list, thus we are able to benefit from sole proprietorships simplicities and advantages. Some of them are: 1. simplicity of state registration; 2. simplified taxation system; 3. work as an entrepreneur is included in the seniority; 4. the possibility to employ workers under employment contracts, to have contractual relations with other businessmen, organizations and institutions; 5. the possibility of obtaining loans in banks and cooperatives; 6. the opportunity to use the personal property in work.

The business is going to be operated mainly by its owner-the author of the thesis.<sup>15</sup>

#### **4.2.2 Product / Service description**

The product the company is going to produce is bio peanut butter.

Many people mistakenly believe that peanuts are a common nut. In fact, this plant belongs to the legume family. For this reason, the products, the main ingredient of which is peanuts, are extremely useful for the human body. Numerous studies have proved the fact that peanut butter has many beneficial effects on the state of human's body. A regular consumption of peanut butter will supply organism with necessary fats, fiber and protein. Niacin - a water-soluble vitamin, which is found in peanut butter sets up the digestive organs, improves the skin condition. Nicotinic acid, contained in the product, accelerates blood circulation, converts food into energy. Also it's possible to find the following vitamins and acids in the peanut butter composition: vitamin E, pantothenic acid, potassium, magnesium, calcium and others. The peanut butter paste contains a very large amount of protein. For this reason, that it is especially recommended breakfasts. The body will be full of energy and will receive a "portion" of vitamins and amino acids for the whole day. In addition, the protein accelerates the process of regeneration of muscle tissue. Fiber, which is also present in the composition of peanut butter in large quantities, improves the functioning of the

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<sup>15</sup> More information to be found in the Management and operations part of the thesis.

digestive system, promotes defecation. It also allows other foods to be absorbed better and faster by the body.

When it comes to the ways of how we can use peanut butter, the company can name 6 classic ways of how to eat it and with what, further options depend only on the fantasy of a consumer. Once a customer has purchased a jar of peanut butter, the customer can: 1) eat it as it is with a coffee or a tea; 2) cook a peanut butter-tofu desert; 3) make a club sandwich; 4) make a dressing for a salad; 5) make a light apple and peanut butter morning sandwich; 6) add it to the morning portion of porridge.

The peanut butter of the company "Bio Peanut Butter House" will consist of only 2 ingredients: peanuts and cacao powder. The product will not include any additives or artificial coloring, what is more, only bio quality raw materials are going to be used in its production.

The amount (kg) and the average price (rubles) of a planning purchase of both cacao and peanuts can be found in the following table.

**Table 1: Raw material**

<b>Product</b>	<b>Kg</b>	<b>Price, Rub</b>	<b>Quantity, month, kg</b>	<b>Price, month, RUB</b>
Peanut	1	83	120	9 960
Cacao	1	100	50	5 000
<b>Total</b>	<b>2</b>	<b>183</b>	<b>170</b>	<b>14 960</b>

Sources: <https://agrosserver.ru/arakhis/>

The company "Bio Peanut Butter House" is going to purchase the peanuts from Russian agro-industrial server – Agrosserver.ru which serves as a platform for different sellers to advertise and sell their products.<sup>16</sup> Cacao powder is going to be purchased at Tiu.ru online selling platform which has a number of different cacao sellers as well.<sup>17</sup> The company decided to choose these 2 specific online platforms as there are many different vendors presented there. Thus, the employer can compare their prices with ease, and, if needed, sort the vendors by different criteria. The employer can also read feedbacks from real clients on their product.

The peanut butter production process consists of the following steps: drying/frying of peanuts, mixing of peanuts with cacao powder, filling and sealing of the jars. For this process, the company is going to purchase necessary machines from Eurasia Group. The company "Bio Peanut Butter House" facilitates the instalment of

<sup>16</sup> Peanuts vendors found at: <https://agrosserver.ru/arakhis/>

<sup>17</sup> Cacao vendors found at: <https://tiu.ru/Kakao-poroshok;wholesale.html>

the equipment, training of employees on how to use the equipment and it also provides a 4-year warranty certificate. The prices and the quantity of the equipment to be purchased can be found in the below.

In order to produce peanut butter, the company will also need to purchase some production equipment and packaging facilities.

**Table 2: Equipment/Machine**

<b>Equipment/Machine</b>	<b>Quantity</b>	<b>Price, RUB</b>
Roasting Machine	1	65 000
Peanut Butter mixing/making machine	1	120 000
Semiautomatic peanut butter filler	1	169 000
<b>Total</b>	<b>3</b>	<b>354 000</b>

Sources: <https://agrosriver.ru/varochno-zharochnoe-oborudovanie/>

**Table 3** shows the equipment depreciation- depreciation of equipment in the process of it's use, which is calculated in monetary terms. The total depreciation of the entire equipment of the company is 35 400 rubles. The monthly amount of depreciation is 2 950 rubles.

**Table 3: Equipment depreciation**

<b>Equipment</b>	<b>Quantity</b>	<b>Price per 1, RUB</b>	<b>Norm. term of service, year</b>	<b>Total cost, RUB</b>	<b>Annual deprec. %</b>	<b>The amount of deprec., year, RUB</b>
Roasting Machine	1	65 000	10	65 000	10	6 500
Peanut Butter mixing/making machine	1	120 000	10	120 000	10	12 000
Semiautomatic peanut butter filler	1	169 000	10	169 000	10	16 900
<b>In total</b>	<b>3</b>	<b>354 000</b>				<b>35 400</b>

Sources: <https://agrosriver.ru/varochno-zharochnoe-oborudovanie/>

The company is going to produce peanut butter mainly in 2 volumes: 30 and 150 grams. Those 30 grams' ones are supposed to be sold mostly to various hotels and other accommodation facilities as they could be a good option for breakfasts. We plan to sell 150 grams' ones mostly to the supermarkets and restaurants as they are more suitable for everyday home consumption and cooking use. As a packaging for both volumes, we are going to use glass jars of a corresponding size which will be sealed with a cap. On top of the glass jar, we are going to put stickers with the logo, composition and the production and expiry dates. Also, the sticker will include some tips on the ways how peanut butter can be used.

Other necessary equipment which is going to be needed for the production includes: sets of dishes; sets of forks, spoons and knives; staff work clothes. The prices and quantities of all the packaging and other needed equipment can be found in the table below.

**Table 4: Equipment**

<b>Equipment</b>	<b>Quantity ( pieces )</b>	<b>Price per 1 (RUB)</b>	<b>Total</b>
Jars 150 gm	400	4	1 600
Jars 30 gm	900	2	1 800
Jar caps	1 300	5	6 500
Stickers	1 300	3	3 900
Set of dishes	5	1 500	7 500
Cutlery	3	2 000	6 000
Staff work clothes	4	3 000	12 000
<b>Total</b>			<b>39 300</b>

Sources:<https://russian.alibaba.com/g/food-packaging-glass-jars.html>

#### **4.2.3 Location**

The business is going to be located in a Russian, city Samara. Samara is the sixth largest city of Russia and is the administrative center of Samara Oblast. It is situated in the south-eastern part of European Russian and is a large and important social, political, economic, industrial, and cultural center in the European part of Russia. The estimated population of the city in 2013 was 1.171.598 inhabitants. However, Samara also forms a metropolitan area with 2 other cities of Samara Oblast



which are Tolyatti and Syzran. The estimated population of this metropolitan area exceeds 3 million inhabitants.

First of all, Samara was chosen as a location for the business because it is the city of residence of the author of the thesis. The author of the thesis knows well the possible sales channels of the city. What is more, she has some relatives working in both retail and accommodation industries who could help with the promotion and sale of the product. Secondly, this city was chosen because of its high population and a convenient location. Samara is located in a not far distance from other big and important Russian cities such as Ufa, Yekaterinburg, Moscow and others. There are many different supermarket chains and specialized stores that sell a big variety of different products. People have access to high-quality products and prefer quality to low prices. At the moment, there is no local producer of bio peanut butter in Samara. There are a few from other regions of Russian but they do not produce it in a bio quality and they use sugar or salt in the production process. Thus, we believe that bio product which will contain neither sugar nor salt will fill in the existing market gap and will find its consumer.

The production of peanut butter itself will take place in the basement of the thesis author's house. As the basement is the author's personal possession, there are not going to be any expenses associated with rent; only housing and public utilities such as electricity, water and gas bills are going to be paid. The basement is 70 m<sup>2</sup> big and has heating, electricity, good ventilation and plenty of storage facilities. We are planning to install the machines there and after get through a sanitary check to obtain a hygiene certificate. As a next step, the company is going to get through procedures of the product certification and obtain a production permit.

**Table 5: Single expenses**

<b>Expense</b>	<b>Price, RUB</b>
Certificates (hygiene, production permit, product certification)	4 000
Web site development	35 000
<b>Total</b>	<b>39 000</b>

Sources: <https://megagroup.ru/price>

In a meanwhile, we are going to develop a “digital location” of the business. The company "Bio Peanut Butter House” is planning to launch a web site of the business with the help of which the potential customers will be able to find all necessary product information as well as the contact details.

**Table 6** shows the costs, such as housing and public utilities, cleaning services and web site maintenance. The company must pay these costs every month.

**Table 6: Every month expenses<sup>18</sup>**

<b>Expense</b>	<b>Price (in RUB)</b>
Housing and Public Utilities	6 000
Cleaning services	4 000
Web site maintenance	1 500
<b>Total</b>	<b>11 500</b>

Sources: <https://megagroup.ru/price>; <https://samara.gorodrabot.ru>

### **4.3 Marketing plan**

As was mentioned in the theoretical part of the thesis, marketing plan is a vital part of one's business plan. No matter how genius the business idea is, if one fails to identify the competition and fails to advertise and promote his/her product efficiently, the whole business can collapse.

When speaking about the marketing plan, the author of thesis can specify three parts it consists of: analysis of competition, the pricing strategy and advertising.

#### **4.3.1 Competition**

The company "Bio Peanut Butter House" have briefly mentioned the possible competitors in the previous parts of the thesis. Nevertheless, let us now examine them in a greater detail. As we have already said, first of all, at the moment there is no local producer of bio peanut butter in Samara. However, there is still some competition in the sector which is mostly represented by producers from other regions. These producers include such brand names as: "Peanut cream", "American Fresh" and others. Nevertheless, what these producers supply to the supermarket shelves in Samara today is very different from what we are going to produce. First of all, all of the competitors from different regions use non-bio/organic raw materials. Secondly, most of them have sugar or salt added into the composition of the final product. Finally, most of the existing peanut production firms produce peanut butter only in one size jars, whereas we are going to have jars of 2 sizes. From the information described above, we can identify a clear gap in the offer of peanut butters in Samara which we hope to fill in with the bio peanut butter with no added sugar or salt.

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<sup>18</sup> Possible subjects to change with increased amount of production and number of employees.

### 4.3.2 Pricing strategy

As a pricing strategy, we have decided to choose status quo pricing. Even though, the product is going to be unique on Samara's and some other cities' markets, the company has decided that in order for us to take the biggest market share, we should overcome the competitors not only with quality but also with affordable price. For this reason, we are going to set the price of bio peanut butter equal to the competitors' prices which will make the product look even more attractive for potential buyers. The company "Bio Peanut Butter House" can also afford to choose status quo pricing strategy as a result of a relatively low investment and production costs. The company is not bringing big investments in the business, thus there is no emergence for us to recover those investments quickly. We prefer a long run strategy with low prices which, we believe, will bring us a constant flow of sales.

For both volumes of jars are represented in the table below.

**Table 7: Price of products**

Jar volume, gm	Price, RUB
150	200
30	60

Sources: The author of the thesis

### 4.3.3 Advertising and promotion

As the business is a wholesale production, thus we are going to promote the product mostly by active selling carried out via phone and emails by the owner of the business (thesis author) and by two sales managers<sup>19</sup>. The company is going to create special leaflets and product presentations with the description and prices which the company is going to use for email promotion of the product.

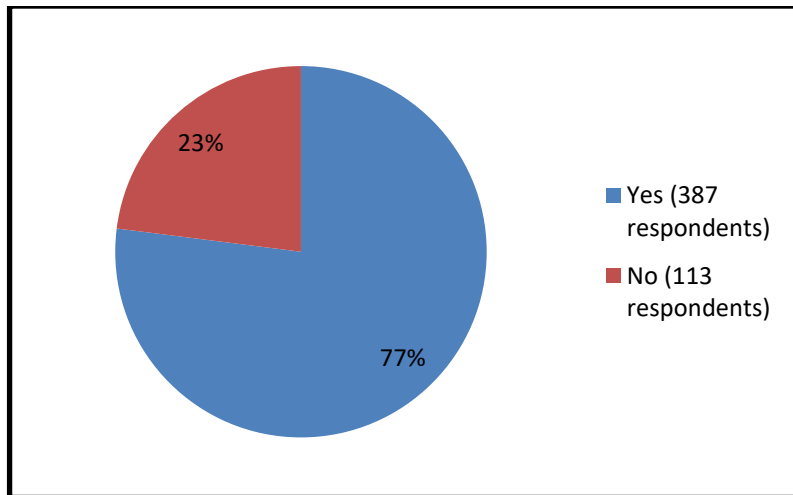
The product presentation will also include the survey the company have conducted in Samara. Please, refer to the diagrams below to find the survey questions and results. The total number of survey participants was 500 people.

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<sup>19</sup> We are going to employ one sales manager from the beginning of the business activity. We plan to employ a second sales manager in 2019 (3<sup>rd</sup> year of business operation).

The first question of the survey was "Do you like peanut butter?". **Graphic 1** shows the results of the poll which show that 77% of respondents answered positively and only 23% of respondents answered negatively.

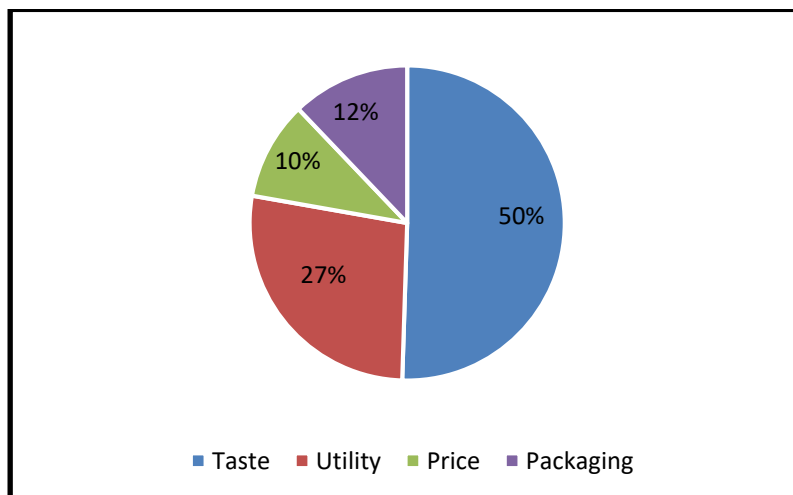
**Graphic 1: Do you like peanut butter?**



Sources: The author of the thesis

From the following survey results we can conclude that in Samara there are both people who like and dislike peanut butter. However, as can be seen from the survey the majority of Samara inhabitants like peanut butter from which the company can conclude that in this city we have potential customers for the product. (**Graphic1**)

**Graphic 2: What criteria would you follow when buying peanut butter?**



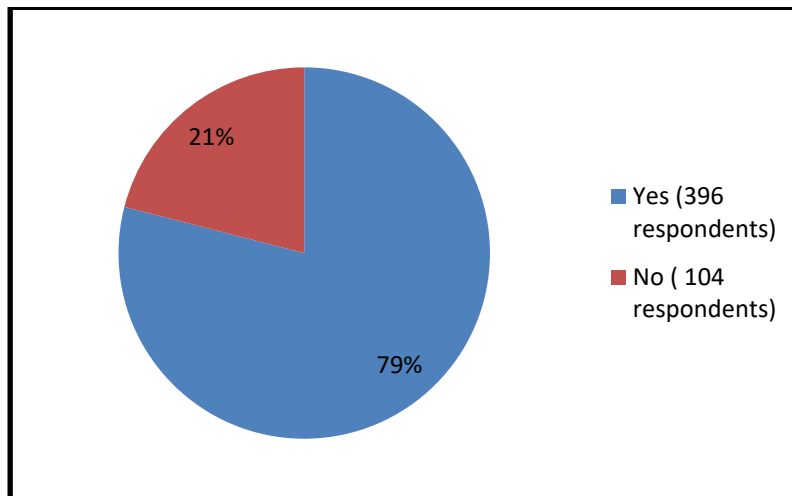
Sources: The author of the thesis

The second question of the survey was "What criterion would you follow when buying peanut butter?" **Graphic 2** shows the results of the survey which reveal that the most important criterion for the buyers of peanut butter in Samara is the product's taste.

From the following results of the survey, the author of the thesis can conclude that the product has all chances of winning the customers loyalty because of the following factors. First of all, the taste of the peanut butter is very natural and smooth as the company uses only natural bio ingredients for its production and do not put any preservatives, coloring, sugar or salt into the product. Secondly, as was described in one of the previous parts of the thesis, the product has a lot of benefits for humans' health, contains many different vitamins and proteins. The packaging is also "bio" and very attractive as to pack the product we use only glass jars which have a nice sticker on them. The stickers also tell the buyers about the benefits of regular peanut butter consumption, as well as include a couple of tips on how the product can be used (different recipes).

For all the reasons described above, it can be concluded that the product agrees with all customers' wishes and preferences, thus the company believes will be popular among people.

**Graphic 3: Do you prefer bio to non-bio products?**



**Sources: The author of the thesis**

The third question of the survey was "Do you prefer bio to non-bio products?" **Graphic 3** shows the result of the survey which reveal that a vast majority of Samara inhabitants prefer bio to non-bio products.

This results tell that the product has a very high potential to win over its non-bio competitors as most people, as can be concluded from the survey, prefer bio to non-bio products.

### Web site

As was mentioned in the location part of the thesis, the company is going to have the own website on which clients will be able to find all necessary information about the product and the contact information. What is more we are going to have Instagram profile on which the company is going to present the product and its beneficial qualities along with different recipes in which the peanut butter can be used. As a part of the promotion the director of the company also going to use internet advertisement and advertisement in public places targeted on hotels and supermarkets. The company is planning to participate in professional exhibitions and workshops.

### Costs

It is very important to correctly calculate the monthly expenses in business, as in the future the business will grow and with it the costs will grow. The total monthly amount of expenses is 89 735 rubles. The main monthly expenses of the company will be the payment that will consist of 38 000 rubles each month. In addition to wages, a significant expenditure of the enterprise will be the purchase of raw materials. The company plans to buy every month one kilogram of cocoa and one kilogram of peanuts that in the amount of 14 960 rubles each month. In the first 4 years, the company must pay each month a bank loan that is 13 695 rubles. The regular cost monthly also includes: utility, promotion, social contribution for each employee and etc.

**Table 9: Regular cost monthly**

<b>Name</b>	<b>Cost</b>
Salary	38 000
Utility	6 000
Raw material	14 960
Promotion	4 000
Social contribution for each employee (2,9%)	1 120
Bank loan (10 %)	13 695
Tax for an individual entrepreneur (6 %)	3 510
Depreciation	2 950
Cleaning services	4 000
Web site maintenance	1 500
<b>In total</b>	<b>89 735</b>

Sources: <https://megagroup.ru/price>; <https://samara.gorodrabot.ru>

The costs associated with the advertisement and promotion can be found in the table below. The monthly amount for advertising is 4 000 rubles.

**Table 10: Other regular monthly costs<sup>20</sup>**

Type of advertisement	Price per month (in RUB)
Internet advertisement	1 500
Advertisement in public places	2 500
<b>Total</b>	<b>4 000</b>

Sources : <https://www.media-sfera.com/internet-promo/price/>

#### **4.4 Management and operations plan**

As the business entity the company has chosen is the sole proprietorship, the company plan that all strategic decisions regarding the business development will be taken mainly by the owner of the business. The owner of the business has a bachelor degree in Business Administration, hence is familiar with accounting regulations, management theories and practices and other business related subjects. The business owner will also work as a sales manager and is going to conduct active sales via phone and emails. The author of the thesis is also going to be responsible for staff recruitment.

In the first year of the business activity, the director of the company is planning to employ two technologists and one sales manager. The company "Bio Peanut Butter House" is also going to outsource an accountant to whom the company is going to pay 14 000 rubles gross. The technologists will be responsible for peanut butter making process. They will be in charge of: putting ingredients into machines; sterilization of jars and caps; closing the jars with the caps and putting the stickers on the jars; packaging of ready to sell peanut butter into boxes. They will have a 4 days working week. The working day length will be 5 hours with a flexible start from 7 till 9 am.

The gross salary of one technologist is going to be 6 000 rubles per month.

The sales manager will be responsible for answering inquiries from potential buyers and also for a search of new clients. The worker will also be responsible for adding the content to the Instagram profile and taking care of the internet and public places advertisement.

The employee is going to have a short (2 days) and a long (4 days) week working schedule. The working day length is going to be 8 hours with a flexible start from 7 to 10 am. The gross salary of a sales manager is going to be 12 000 rubles. The owner of the business is planned to be at work performing the sales manager and other

<sup>20</sup> Possible subjects to change with increased amount of production and number of employees.

tasks from Monday to Fridays and especially during those days when the regular sales manager has his/her days off.

#### 4.4.1 Personnel

As the business expands, the director of the company plans to hire more people. First of all, as the volume of the sales is going to rise, the company will need to be able to keep up with the demand, hence to keep the production at the necessary level. For this reason, from 2019 (3rd year of business existence) the company is planning to employ two more technologists with the same working scheme and gross salary as the first two.

The company "Bio Peanut Butter House" also plan to employ one more sales manager in order to enable the owner of the business to be concentrated on the strategic plans for business development and to be able to work on the expansion of a product line produced by the enterprise. The second sales manager will have a short (2 days) and a long (3 days) working schedule with the length of the working day being 8 hours with a flexible 7 to 10 am start. The second sales manager will have the same salary as the first one which is 12 000 rubles per month. As in the begging, the director of the company is going to continue outsourcing the accountant.

**Table 11: Personnel costs 2017**

<b>Position</b>	<b>Number of employees</b>	<b>Personal costs before tax, per one, RUB</b>	<b>Gross salary in total, RUB</b>	<b>Pension tax 22 %, per one, RUB</b>	<b>Individ. income 13 %, RUB</b>	<b>Personal costs after tax, per one, RUB</b>
Accountant	1	14 000	14 000	3 080	1 820	9 100
Sales Manager	1	12 000	12 000	2 640	1 560	7 800
Technologist	2	6 000	12 000	1 320	780	3 900
<b>In total</b>			<b>38 000</b>			<b>24 700</b>

**Sources:** The calculations were made by the author of the thesis

**Table 11** shows the list of employees with their monthly salaries. In accordance with the current legislation of the Russian Federation, the pension tax (22%) and the individual tax (13%) will be deducted from the employee's salary.



**Table 12: Personal cost, social tax, 2017**

<b>Position</b>	<b>Number of employee</b>	<b>Personal costs (per one, in RUB)</b>	<b>Gross salary in total (in RUB)</b>	<b>Social tax (per one, 2.9 % in RUB)</b>	<b>Social tax (in total, 2.9 % in RUB)</b>
Accountant	1	14 000	14 000	406	406
Sales Manager	1	12 000	12 000	348	348
Technologist	2	6 000	12 000	174	348
<b>In total</b>			<b>38 000</b>		<b>1 120</b>

Sources: The calculations were made by the author of the thesis.

The company is a sole proprietor who works on a simplified declaration. Thus, the author of the thesis as a sole proprietor and the director of this enterprise is obliged to pay social tax for each of the employee from her budget. The social tax at a rate of 2.9% is calculated from the salary of the employee. As shown in **Table 12**, the total amount of the social tax paid monthly is 1 120 rubles.

#### **4.5 Financial plan**

The financial section of the business plan includes tasks such as financial support of enterprises and the effective use of available financial resources.

The financial part is one of the most important sections of any business plan. It shows all the activities of the enterprise (income, expenses, forecasts, etc.) in monetary terms.

For financial calculations the following initial data were accepted:

Project start date: 01/01/2017.

**Table 13** shows capital resources such as bank loan and own capital, the amount of which is 550 000 rubles. 540 000 rubles will be taken in Sberbank for 4 years, at 10% annual interest Each month will be paid to 13 695 rubles. Own capital is 10 000 rubles.

**Table 13: Capital resources**

<b>Items</b>	<b>Value (in RUB)</b>
Bank loan	540 000
Own capital	10 000
<b>Total amount</b>	<b>550 000</b>

Sources: The calculations were made by the author of the thesis

**Table 14: Balance sheet in RUB, 2017 year**

Assets (in Rub)		Equity and Liability (in RUB)	
Fixed assets		Equity	
Equipment	420 300	Capital	10 000
<b>Total fixed assets</b>	<b>420 300</b>	<b>Total equity</b>	<b>10 000</b>
Current assets		Liability	
Inventory	14 960	Bank loan	540 000
Bank account	114 740		
<b>Total current assets</b>	<b>129 700</b>	<b>Total liability</b>	<b>540 000</b>
<b>TOTAL</b>	<b>550 000</b>	<b>TOTAL</b>	<b>550 000</b>

Sources: The calculations were made by the author of the thesis

**Table 15** shows that the volume of sales increases in June which leads to an increase in revenue and net profit. This increase happens due to the fact that in July we are planning to contract two more hotels. As a result of these negotiations, the sales volume is planned to be increased by 215 pieces of peanut butter (from which 170 will be small jars and 45 large jars).

**Table 15: Total revenues and total costs, 2017 year**

Month	Sales volume, pcs in RUB	Total Revenues, in RUB	Total cost , in RUB	Net profit , in RUB
<b>January</b>	610	87 000	89 735	-2 735
<b>February</b>	610	87 000	89 735	-2 735
<b>March</b>	610	87 000	89 735	-2 735
<b>April</b>	610	87 000	89 735	-2 735
<b>May</b>	610	87 000	89 735	-2 735
<b>June</b>	825	106 200	93 311	12 889
<b>July</b>	825	106 200	93 311	12 889
<b>August</b>	825	106 200	93 311	12 889
<b>September</b>	825	106 200	93 311	12 889
<b>October</b>	825	106 200	93 311	12 889
<b>November</b>	1 055	124 200	98 927	25 213
<b>December</b>	1 055	124 200	98 927	25 213
<b>In total</b>	<b>9 285</b>	<b>1 214 400</b>	<b>1 113 084</b>	<b>101 316</b>

Sources: The calculations were made by the author of the thesis

Also in the beginning of November, the volume of sales increases again. This increase takes place due to the fact that in this month it is planned to contract two coffee shops. To each of the stores we will deliver 100 pieces of small jars and 15 large jars.

**Table 16** shows planned revenues and expenses for 2017, 2018 and 2019 in rubles. In 2018 the profit of the enterprise will grow, since the online store "Bio Peanut Butter House" plans to sell the peanut butter to the big supermarket chain called "Five" which has it's stored in small towns like Gavrilova Polyana, Podgora, Usinsky.

With the development of the business from 2017 the cost internet advertisement will increase by 500 rubles and advertisement in public places will increase by 500 rubles and by 500 rubles on web site maintenance per month.

**Table 16: Income statement for 2017-2019 in RUB**

<b>Items</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Material consumed	191 490	219 480	235 440
Housing and Public utilities	72 000	84 000	102 000
Cleaning services	48 000	48 000	48 000
Web site maintenance	18 000	24 000	24 000
Promotion	48 000	60 000	60 000
Personnel expenses	456 000	672 000	1 020 000
Taxes	79 854	119 640	152 268
Interest expense	164 340	164 340	164 340
Depreciation of equipment	35 400	35 400	35 400
<b>Total expenses</b>	<b>1 113 084</b>	<b>1 426 860</b>	<b>1 841 448</b>
Revenues from products	1 214 400	1 738 800	2 218 800
<b>Total revenues</b>	<b>1 214 400</b>	<b>1 738 800</b>	<b>2 218 800</b>
<b>PROFIT/LOSS (+/-)</b>	<b>101 316</b>	<b>311 940</b>	<b>377 352</b>

Sources: The calculations were made by the author of the thesis

In 2019 the profit will grow, as the online store "Bio Peanut Butter House" plans to conclude a contract on the supply of peanut paste with large supermarkets of Samara such as "Auchan", "Perekrestok". Every month it is planned to deliver 70 pieces of large jars and 100 small jars to each of the supermarkets. As a consequence of a large number of orders, in 2019 it is planned to hire three new employees: one technologist, one assistant and one sales manager (11 000 rubles per month) Thus, monthly expenses on salaries will grow from 56 000 rubles to 85 000 rubles. As a

consequence of increased production and personnel expenses the total expenses for everything (including housing and public utilities, taxes and etc.) will also grow.

**Table 17: Cash flow statement**

Items	2017	2018	2019
Bank loan	540 000	0	0
Own capital	10 000	0	0
Revenues from products	1 214 400	1 738 800	2 218 800
<b>Total Revenues</b>	<b>1 764 400</b>	<b>1 738 800</b>	<b>2 218 800</b>
Personnel expenses	456 000	672 000	1 020 000
Operating cost	629 884	733 860	798 048
<b>Total expenses</b>	<b>1 085 884</b>	<b>1 405 860</b>	<b>1 818 048</b>
<b>CASH FLOW</b>	<b>678 515</b>	<b>332 940</b>	<b>400 752</b>

Sources: The calculations were made by the author of the thesis

**Table 17** shows the cash flow statement, which allows the employer to understand the company's ability to pay bills, as well as the ability to receive money from the operation. **Table 17** shows the main sources of inflow and outflow of cash for 2017, 2018 and 2019.

**Table 18: Net Cash Flow**

Items	2017	2018	2019
Expected revenues	1 214 400	1 738 800	2 218 800
<b>Total revenues</b>	<b>1 214 400</b>	<b>1 738 800</b>	<b>2 218 800</b>
Expected costs	1 042 284	1 356 060	1 770 648
Depreciation	35 400	35 400	35 400
<b>Total expenses</b>	<b>1 077 684</b>	<b>1 391 460</b>	<b>1 806 048</b>
Earning before tax	977 830	1 271 181	1 652 780
Tax 18%	79 854	119 640	152 268
Earning after tax	917 976	1 152 181	1 500 512
Depreciation	35 400	35 400	35 400
EAT + depreciation	101 316	311 940	377 352
<b>NETCASH FLOW</b>	<b>101 316</b>	<b>311 940</b>	<b>377 352</b>

Sources: The calculations were made by the author of the thesis

Net cash flow shows the difference between positive and negative cash flow for the selected period of time, in this case, in **table 18**, cash flows for 2017, 2018 and 2019 are shown. This indicator determines the financial condition of the enterprise.

**Table 19** shows the cumulative net cash flow for the period from 2017-2019. Cumulative net cash flow shows the sum of all of the net cash flows that have been generated by a company since inception.

**Table 19: Cumulative net cash flow**

Year	Net cash flow	Cumulative Net cash flow
2017	101 316	101 316
2018	311 940	413 608
2019	377 352	790 608

Sources: The calculations were made by the author of the thesis

**Payback Period:**

$1 - \frac{(93116-550\ 000)}{93116} = 5.9$  - It should be noted that in determining the payback period, investments were not discounted, but simply summarized.

**Net present value:**

$k = 0.01\%$

$$NPV = -550\ 000 + \frac{101\ 316}{(1+0.01)^1} + \frac{311\ 940}{(1+0.01)^2} + \frac{377\ 352}{(1+0.01)^3} = 771.859$$

In this case,  $NPV > 0$ , so the investment is going to be profitable and the project can be accepted.

**Break-even point (Q)**

$$Q = \frac{FC}{P - VC}$$

Q = Break-even point, or units of production  
 FC = Total fixed cost

P = Price of one unit

VC = Variable cost per unit

$$Q = \frac{3881}{1.93 - 0.4} = 2536.8$$

According to the author's calculation the company must sell 2 536 expected average checks per month to start produce a profit

## 5 SWOT

Strength	Weaknesses
<p>The product is <b>BIO</b> = it is an organic product that does not undergo any chemical treatment and does not contain any preservatives, artificial sweeteners and other chemicals;</p> <p><b>Premises are privately owned by the owner of the business</b> = there is no need to pay for the rent. The only cost associated with premises will be housing and utilities payments;</p> <p><b>Website</b> = the website is online 24/7, thus the potential customers can get all necessary information about the product any time;</p> <p><b>Price</b> = a very competitive price. Bio product which can compete with the prices of non-bio products.</p>	<p><b>Reputation</b> = the company is not yet well known actors of this market. Thus, it will take us some time to establish loyal relations with clients and obtain good references;</p> <p><b>Production of only one product by the enterprise</b> = for now company produce only one product and if we do not sell it, we easily go bankrupt. Thus, company need to expend the product line in order to secure the operation of the enterprise.</p>
Opportunities	Threats
<p><b>Product improvement</b> = the possibility to upgrade the initial product: create new tastes=new compositions of the products.</p> <p><b>Extension of the product line</b> = the company can start producing new bio products under and sell them on the same website. Sell them to the loyal clients of the peanut butter.</p>	<p><b>Competition</b> = the possibility of the emergence of new competitors with lower prices;</p> <p><b>Taxes</b> = increase of taxes;</p> <p><b>Price of raw materials</b> = possible increase in the price of raw materials.</p>

<p><b>Contracts</b> = the company can make new agreements with hotels and restaurants not only in Samara and the cities nearby but also extend the delivery to far corners of Russia and even abroad.</p>	
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The strengths and weaknesses of the company determined during the analysis make it possible to determine those parameters that are advantageous, they need to be developed and maintained at the required level, and parameters whose improvement can optimize the processes of improving the management of the company and minimize the possibility of deteriorating image.

So, the analysis of the internal environment has shown that the organization has more strengths than the weak.

The main advantage is the naturalness of the product. The product does not contain sugar and chemical additives.

The big plus is premising are privately owned by the owner of the business in comparison with competitors. This allows the employer to significantly save on costs. Based on the analysis, the problems facing the company were identified. These problems are due to the existing positive and negative factors within the company, as well as existing external threats and opportunities. According to this, it is possible to identify the main strategic directions for improving the company's position in the near future:

- 1) Improving reputation;
- 2) Expansion of the range of peanut butter.

## 6 PEST

<b>Political</b>	<b>Economic</b>
<p>Possible changes in legislation regarding the sole proprietorship business type which can ease or complicate the functioning of the business;</p> <p>New legislation about minimum salaries which can possibly be higher than those salaries the company is paying out at the moment; thus, the expenses and the final production and sale price of the product may increase.</p>	<p>Possible bad economic situation which will reduce customers' confidence level and which lead in the decrease of the sales;</p> <p>Increase of decrease in taxation which result as following increase or decrease of a final sale price.</p>
<b>Social</b>	<b>Technological</b>
<p>Possible changes of customers' preferences;</p> <p>Cultural changes: support of Russian traditional products.</p>	<p>Emergence of new technologies that can ease the production of a peanut butter: it is possible the company will reduce the number of the technologists and thus, the company will reduce the production costs.</p>

Analyzing PEST, the following conclusions were drawn:

- the change in the legislation makes it possible to take advantage of favorable opportunities to win niches in the market, expand the scope of activity;
- economic instability in the country is a threat to the company;
- scientific and technological progress can lead to an increase in the needs of the population.



## 7 Conclusion

Know how to properly organize, register business and plan their follow-up activities - these are the main components necessary for the entrepreneur to succeed in the modern market. Correctly, competently drawn up the strategic plan for the development of the company is an important component of the company's success in the future. The success of a new enterprise in the market also depends on the idea that carries this enterprise, the definition of its market. New ideas bring improvement, development, are the engine of not only the economic aspect social development, and the whole development as a whole.

As a conclusion of the business plan, the author of the thesis can say that in accordance with financial calculations it will be able to achieve the objectives the company have set at the beginning of the business plan. According to the income statement, it will be able to achieve a net profit in the first year of the business activity. Also, the company will achieve a full recovery of the investments, in accordance with payback calculations, after the 6<sup>th</sup> year of business activity, which corresponds with the aim set at the beginning of the work. What is more, in accordance with the increases in the cash flow statements of 2017-2019, the author of the thesis can conclude that we have achieved one more aim of the project which was to extend the operation of the business and sell the product not in Samara only but also in other not far cities. Finally, the author manages to employ one more sales manager and, thus, give room for the owner of the business to think about the strategic development of the business: extension of product line and expansion of product' market.

Based on the fact that we managed to achieve all the objectives of the business, we can conclude that the decision to begin this start-up was strategically correct. What is more, this business model does suit fresh entrepreneurs and is a good start-up model for people who only start their road as entrepreneurs.

In the conclusion, the thesis argues the following. The thesis has achieved the main objective of the thesis which was to develop a detailed business plan for a bio peanut butter production business in Russia, Samara. We have evaluated the feasibility of the chosen business idea and conducted a financial analysis for the first three years of business operation. The thesis has also fulfilled the sub-objectives of the thesis: conducted a SWOT and PEST analysis and also conducted of a survey on customers' tastes and preferences the results of which showed the potential of the project to the customers.

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