

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of economics**



**Bachelor Thesis**

**Business plan for streaming services**

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## BACHELOR THESIS ASSIGNMENT

Iana Zyrina

Economics Policy and Administration  
Business Administration

Thesis title

**Business Plan for Streaming Services**

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### Objectives of thesis

The objective of the bachelor thesis is to develop a business plan for business providing streaming services. The business plan will include all the necessary parts including the professional recommendations with regard to starting the business.

### Methodology

The bachelor thesis consists of two parts:

- 1/ theoretical part provides critical review of current professional literature on the topic of the thesis.
- 2/ practical part focuses on developing the business plan based on thorough situational and financial analyses and provides recommendations relevant to start the business.

## **The proposed extent of the thesis**

40 – 60 pages + appendices

## **Keywords**

Business plan, streaming services, situational analysis, financial analysis

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## **Recommended information sources**

FORD, Brian R, Jay BORNSTEIN and Patrick T. PRUITT. The Ernst & Young business plan guide. Hoboken, N.J.: John Wiley & Sons, 2007  
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Writing a convincing business plan. Hauppauge. Newyork: Barron's Educational series, 2008

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## **Expected date of thesis defence**

2020/21 SS – FEM

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Electronic approval: 30. 10. 2020

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Prague on 15. 03. 2021

## **Declaration**

I declare that I have worked on my bachelor thesis titled "Business plan of streaming services" 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 15<sup>th</sup> March 2022

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## **Acknowledgement**

I would like to thank prof. Ing. Ivana Tichá, Ph.D , for helping me and giving advice on my bachelor thesis.

I would like to thank my parents, for giving me the opportunity to study at a university in the Czech Republic.

# **Business plan for streaming services**

## **Abstract:**

This bachelor thesis is dedicated to the development of a business plan. The main aim of this thesis is the establishment of a business model including financial analysis and professional recommendations. The thesis is divided into theoretical and practical parts.

The first part includes theoretical basis and literature research, which provide necessary information for the successful business development. This part focuses on the term and structure of a business plan, business activity and forms of business organization.

The practical part of the thesis introduces the developed business plan. Besides, marketing plan, financial analysis, risk assessment and prevention, break-even analysis of the project are included in this part as well.

**Keywords:** Business plan, streaming services, situational analysis, financial analysis.

# **Business plan pro streamovací služby**

## **Abstrakt**

Předkládaná bakalářská práce se zabývá tématem zpracování business plánu. Hlavním cílem této práce je založení business modelu včetně finanční analýzy a odborných doporučení. Předkládaná práce je rozdělena do dvou částí: teoretické a praktické. První část obsahuje teoretický základ a analýzu odborné literatury, což poskytuje důležité informace potřebné pro úspěšné zpracování business plánu. Dána část se zaměřuje na naplnění a strukturu business plánu, business aktivitu a organizační formy podnikání. Druhá část zahrnuje zpracovaný business plan. Zároveň praktická část obsahuje průzkum trhu, finanční analýzu a analýzu rizik vyvíjeného projektu.

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# 1 Introduction

What do you prefer: read a book or watch a movie? Most will prefer the second one, because it is more familiar for the brain, which means it is more pleasant (90% of the information entering the brain is visual information). Thanks to this feature, most of the internet traffic goes to sites like YouTube, Netflix, Twitch, and Amazon Prime (Gagan, p. 7).

According to research by Sandvine Incorporated, video transmission accounts for 60% of all Internet traffic, most of which is online streaming of news, TV shows, sports, TV series, movies and video games on Netflix, YouTube, Twitch and other platforms. When creating a video streaming site, people should base on their development, design and marketing expertise (Gagan, p. 7).

The main advantages of streaming over the usual ways of consuming media information are that a lot of space is freed up on devices, which was previously occupied by different content. By becoming a user of the service, people will get access to content on all your devices at any time of the day.

As for the development prospects, it is enough to consider the example of the aforementioned Netflix: over the three years of the service's existence in Canada, BitTorrent traffic in the country has fallen by half. A similar trend can be seen in the field of games. Software users simply have no choice, as large companies are moving to the cloud to distribute their products. Obviously, in the next 10-20 years, downloading movies, music, programs or games will be irrelevant. Everything will be somewhere on remote servers, and information will be accessed from any device, regardless of their technical characteristics (Gagan, p. 8).

## **2 Objectives and Methodology**

### **2.1 Objectives**

The objective of the bachelor thesis is to develop a detailed business plan for business providing streaming services. The business plan will include all the necessary parts including the professional recommendations with regard to starting the business.

The subtasks of the dissertation will include a comparison of Czech streaming services and foreign (American streaming services), the competitiveness of Czech streaming services and what needs to be done to become competitive in the fight for the user.

### **2.2 Methodology**

The dissertation will be divided into two parts. The first part will consist of a theoretical part, which focuses on the current literature on the topic. It will be followed by a practical part, where a financial plan (FP) is drawn up, the payback period (PB) and the break-even point (BEP) of the streaming service. Market research will also be conducted based on articles and various resources. In the final, there will be an analysis of how to become competitive.

## **3 Theoretical Part**

### **3.1 Theoretical and methodological foundations of business planning**

#### **3.1.1 Business planning in the enterprise management system**

In the world of limited production resources, market planning for the use of economic resources, both for producers of goods and services, and for consumers of material goods. In the market, when the current prices for all products and resources are freely established by the competing producers and consumers themselves, each enterprise or firm independently decides what goods and in what quantities producers should carry out in the forthcoming planning period.

Planning of activities has become the economic basis of free market relations of individuals and entire labor collectives, small and large enterprises, various firms and organizations, all economic entities and economic objects with various forms of ownership. In the planning process, the necessary balance is ensured between the production and consumption of products, the value of the market demand for goods and services and the volume of their supply by firms and enterprises. At the same time, manufacturers themselves strive for the fullest satisfaction with their products and services of all existing consumers, whose market demands essentially become the future plans of production of enterprises and firms.

Accurate financial planning is one of the most important parts of a successful business (GALAI, 2016). The existing plan can anticipate problems and thus overcome them in the future. At one time, the classics of management drew attention to the fact that the absence of plans at the enterprise is accompanied by fluctuations, erroneous maneuvers, untimely change of orientation, which is the reason for the poor state of affairs or their collapse. As practice has shown, the use of financial planning creates the following important advantages:

- makes it possible to prepare for the use of future favorable conditions;
- clarifies emerging problems;
- stimulates managers to implement their decisions in further work;
- improves coordination of actions in the organization;
- increases the ability to provide the company with the necessary information;
- contributes to a more rational distribution of resources;
- improves control in the organization.

In the world practice, it is customary to start the commercial development of any idea (project) with a business plan. As a comprehensive plan for the development of the company, it is intended to outline the course that the company should adhere to over a certain period of time

(usually 3-5 years). In this regard, it is very important to draw up it in accordance with certain requirements, carrying out special calculations (GALAI, 2016).

A correctly drawn up business plan should ultimately answer the question: is it worth investing in this business at all and will it bring income (profit)?

Business plans are drawn up by both novice entrepreneurs and companies that have already passed the stage of formation. For all enterprises, methods of forecasting performance are primarily used.

In addition, these plans become the first experience of strategic planning, without which today it is impossible to count on long-term success.

Since the market environment is very changeable and mobile, each enterprise (firm) must think about the future, plan its business (FORD, 2007). Planning, in this case, is a reflection and then a detailed study of what will be done in the future.

Future business planning is documented in the form of a business plan. A business plan is a clear program of actions for an enterprise, calculated for a certain period of time. Such a document is needed not only to impress investors, but also to come up with development strategies, anticipate market risks and better understand their own business. Having a single business plan structure will reveal planning gaps that are easily overlooked individually.

Entrepreneurs (owners) are interested in drawing up a business plan, first of all, from the point of view of determining the prospects for the development of the company (GALAI, 2016). For managers, who are, as a rule, the developers and executors of these plans, they serve as a guide to action. Investors consider a business plan as an additional source of information when making decisions on the issuance of loans or funds to a given enterprise (firm). The financial documents of the business plan serve as the main rationale for investment, since it is a convenient, generally accepted form of familiarizing potential investors with the project in which they are invited to participate.

For many people, the idea of a business plan is associated with the thought of a company (firm) that is just starting out. However, this is not true. Business plans should be drawn up by all enterprises, including those who have passed the stage of formation a long time ago.

The purpose of developing a business plan is to plan the economic activities of the enterprise for the near and distant periods in accordance with the needs of the market and the possibilities of obtaining the necessary resources. In addition, the purpose of the development is to convincingly

show how the investor's money or other resources will turn into even more money for the same investor (GALAI, 2016). In other words, the investor should see profit not after, but before spending money on the proposed project.

A business plan helps entrepreneurs to solve the following main tasks:

- determine the specific directions of the enterprise's activities, target markets and the place of the enterprise in these markets;
- formulate long-term and short-term goals of the enterprise, strategies and tactics for achieving them, identify persons responsible for the implementation of each strategy;
- choose the composition and determine the indicators of goods and services that will be offered by the enterprise to consumers, assess the production and trade costs for their creation and sale;
- to assess the compliance of the company's personnel and the conditions for motivating their work with the requirements for achieving the set goals;
- determine the composition of the company's marketing activities for market research, advertising, sales promotion, pricing, sales channels, etc .;
- to assess the material and financial position of the enterprise and the correspondence of financial and material resources to the achievement of the set goals;
- anticipate difficulties and pitfalls that can interfere with the implementation of the business plan.

Thus, taking into account all of the above, a business plan serves three functions.

First, a business plan can be used for a business concept. At the same time, in the process of drawing it up, it becomes possible to thoroughly work out the strategy and avoid mistakes even “on paper”, having studied your enterprise (company) from all sides - marketing, production, management, finance.

Secondly, a business plan is a tool with which an entrepreneur can assess the actual results of an enterprise for a certain period of time. For example, according to the indicators of the financial section of a business plan, conclusions can be drawn about how successfully the business is developing. In addition, the implementation of the financial plan serves as the starting point for a new planning stage.

Thirdly, the purpose of a business plan (most consider it to be the main one) is to attract funds.

A well-designed and well-founded business plan will create confidence in future investors in the reliability of their investments, and, just as important, trust in the company's management (Rickman, 2012). A business plan is a document designed to determine the course that an enterprise will deliberately adhere to over a certain period of time. As a rule, it is 3-5 years. However, many companies draw up a business plan for one year. At the same time, it is recommended to develop the main indicators of the first year on a monthly basis, for the second year - on a quarterly basis, and only starting from the third year can we limit ourselves to annual indicators. Only in rare cases can business plans cover a period longer than five years.

There are external and internal functions of a business plan.

**1 Table: External and internal functions of a business plan**

External functions of the business plan	Internal functions of the business plan
1. A well-designed laconic business plan is the best business card for an enterprise. With its help, the company standardizes the process of familiarization with its project.	1. With the help of a business plan, you can find in the initial state those shortcomings in the development of the enterprise, which in the future threaten to develop into serious obstacles and significantly complicate the work.
2. At the economic stage of the formation and development of the market, market relations and civilized entrepreneurship, the presence of a business plan is a mandatory requirement on the part of a civilized market.	2. A business plan gives a specific business focus.
3. Raising money for the development of a commercial business (partnership, investment, lending) is impossible without the material contained in the business plan. A well-written business plan can be quickly converted into a funding proposal.	3. By drawing up a business plan, an entrepreneur acquires a control and management tool that allows him to ensure the systematic progress of his enterprise towards the set goals.
4. The presence of a business plan purely psychologically gives rise to a feeling of solidity, solidity of an entrepreneurial undertaking, its owner.	4. In the process of drawing up a business plan is a powerful self-learning tool, and after the implementation of the planned actions - the basis for comparison with actual achievements. Thus, an entrepreneur gains knowledge,

	experience and professionalism that he would not have received without planning his business.
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**Source 1: Chron.com**

A business plan solves a number of tasks, such as:

- Determine the specific directions of the firm.
- Formulate long-term and short-term goals of the firm, strategy and tactics for achieving them.
- Choose a team and determine the indicators of goods and services.
- Determine the composition of the company's marketing activities for market research, advertising, sales promotion.
- Assess the financial position of the company.
- Provide for all the difficulties that may prevent the company from achieving its goals.

All tasks of the plan can be solved if they are connected with each other (FORD, 2007). The main purpose of a business plan is to concentrate financial resources for solving strategic problems. It is the business plan that is the main means for increasing the income of the company. With the help of a business plan, you can attract future investors in negotiations, and it also plays a huge role in inviting staff to the firm. The consumers of a business plan are most often its clients: investors, lenders, business partners (Hauppauge, 2008). After the business plan has been implemented, the firm must reach a new quality level.

As a conclusion, it should be said that planning is an important part of any business.

The importance of business planning can be expressed by the fact that a company that does not know how to plan its activities, or thinks that it does not need it, itself becomes a means to achieve other people's goals. The current approach to planning its activities creates the basis for a stable and productive business. A well-written business plan can ensure the longevity of a company in a highly competitive environment, as well as in practice will help achieve goals that are in the interests of the company. It should also be noted that business planning provides some advantages, for example:

- A well-written business plan, even if not all of its items fulfilled give confidence that if we follow the objectives set, things will go well.

- As mentioned earlier, if there is a need for additional funding, the business plan will help to raise additional money. The investor will definitely want to look at this document, since it will contain not only the current position of the company, but also its prospects in the future.
- During the planning process, you can find important information about the company and the area in which it operates. Planning helps the business owner open up new opportunities for the company and also helps to find problems that the owner did not notice before starting his business. Thanks to this, he can change the direction of the company if the previous direction does not bring the desired profit.
- To draw up a business plan, you need to detail the stages of doing business. At the same time, difficulties that seemed easy to us to overcome can acquire a new color. Thanks to a detailed analysis, we will be able to find out more about whether the further development of the company is worth the time and money spent.

### **3.1.2 Composition and structure of a business plan**

The content of a business plan depends on the specifics of the project, which is determined by the following facts:

- expansion of an existing company or creation of a new company;
- company size;
- the presence or absence of funding requirements.

In world practice, writing a business plan is based on standard design requirements. Therefore, a standard business plan structure was developed.

#### **1) Title page**

The title page is the first thing an investor sees in a business plan. Working on a title page can be an excuse to create a general graphic style and design a logo. The slogan and a more memorable name of the company are also created here.

A good title page of business plan contains:

- name, logo and slogan of the company;
- type of activity of the company;
- contact details;
- start date and terms of the project;



- name of the creator of the business plan.

## **2) Summary**

The resume contains all sections of the business plan. When showing a resume to an investor, it should include financial indicators, charts and other visual information that will show the financial prospects of the business and the essence of the project. This is what a resume should contain:

- a brief history of the business;
- description of the business project;
- a short portrait of the target audience, that is, who will buy this product;
- the goals of the company;
- the main business indicators.

The new business will not have business metrics; instead, the expected costs, the amount of borrowings, and the payback period for the business project should be specified. An already existing business should show in the resume the net profit and revenue for the last 2-3 years, as well as other indicators that show the financial stability of the company or instability, if the purpose of the business plan is to improve the position of the company (Shelton, pp. 36-37).

It should also include a sales forecast chart and a cash flow analysis chart, market analysis findings and anti-risk strategies. The goals must be expressed in numbers, the mission of the company must be formulated succinctly. Remember that a business plan should focus on the entrepreneur, not what the entrepreneur does for potential clients. A business is successful when it provides products and services that meet the needs of its customers and does so for a profit (Shelton, pp. 36-37).

## **3) About company**

In this section you need to write:

- organizational and legal form of the company;

In this paragraph, describe the ownership and legal establishment of the company. This is mainly specifying whether your company is a corporation, partnership, sole proprietorship, or some other kind of legal entity, such as a limited liability partnership. An explanation must also be provided of who owns the company, and if there is more than one owner, in what proportion (Berry, 2006).

- the names of the business owners and their contributions to the project;
- location and equipment of the company;

Briefly describe offices and locations of a company, the nature and function of each, square footage, lease arrangements, etc (Berry, 2006).

Depending on the nature of the plan, its function and purpose, it is possible to include more detailed information about facilities as appendices attached to the plan (Berry, 2006).

- financial indicators for today and necessary investments.

If a business plan is drawn up by the owner of a new business, then the financial indicators will reflect current costs and future costs. If we are talking about an existing business, then this paragraph should include information on revenue for the last 2 - 3 years, net profit, operating expenses and balance sheet should also be indicated.

When listing business owners, contributions of any kind: software development, ideas, and knowledge of manufacturing techniques should be described. Non-monetary assets must be valued in monetary terms.

#### **4) Industry and market analysis**

It is difficult to succeed in the market without knowing how it works (MALHOTRA, 2010). Before drawing up a business plan, you need to conduct research and collect as much information as possible about the industry as a whole. Media and Internet portals can help with this.

There are websites for analysis, financial statistics, demographics, trade associations, and just about everything you will need for a complete business plan (Berry, p. 51).

In this section, should describe:

- a short history of the company;
- factors that affect the growth of the company;
- categories of products and services, buyers and suppliers;
- competitors and industry leaders;
- main trends;
- the volume of the industry in monetary terms;
- marketing strategies.

For market analysis, the same analytical methods are used, only on a smaller scale. Customers who provide services should be interviewed and how often they use them, and then document the results in a business plan.

As a result, the target audience can be determined and its growth predicted.

### **5) Product and business model**

The product is the heart of a business idea, and the description in this section will help to refine it. Write the following in this section:

- what do you sell;
- what are the features of the product or service;
- what is the benefit of this product or service to the consumer;
- what is the planned income;
- what infrastructure is needed.

Formulate the customer value of a product or service and compare your business to the competition. Predict how advances in technology might impact the product lifecycle and try to come up with a new proposal for the future.

There is no emphasis on specific products and services. Starting a business is difficult and generating cash flow is difficult. At first, there is a desire to do whatever is necessary to generate cash flow, but this is a bad strategy because it is difficult to please all customers (Shelton, p. 37).

### **6) Production plan**

This section answers the question of what is needed in order for a product to enter the market. In the production plan, everything should be noted that concerns the capacity of the enterprise, the prices of materials and raw materials and the necessary labor resources, namely:

- production conditions and equipment characteristics;
- production cost;
- list of suppliers and contractors;
- volume of production;
- logistics;
- delivery costs;
- requirements for the qualifications of employees.

It is especially important to predict the prices of resources, because the cost of goods directly depends on them (Shelton, pp. 37-38).

### **7) Organizational structure of the enterprise**

As the enterprise develops, logistics services and partners will appear in the structure of the business model. All human resources, which the company will need, must be fixed in terms of the organizational structure of the enterprise.

It should be described here:

- company hierarchy;
- areas of responsibility of employees;
- the composition of the management team and its weaknesses;
- personnel categories and payroll costs.

This data is best presented in the form of a diagram. This must be done in order to understand the functions of officials and the composition of the management team. Identify the points of professional growth of each manager and characterize their potential. List how many employees work in each position and plan payroll costs.

### **8) Marketing strategy**

Marketing is responsible for attracting customers (MALHOTRA, 2010). When marketing goals are set, start with business goals. For example, the overall goal is to increase profits by 10%. Think about how marketing will help with this.

Here's what should be written in this section:

- What is the market for a products and services? A no-competition claim is a red signal for a sponsor because every business has competition. Another bad signal is to say the market potential is \$ 1 billion, without any supporting information. Sponsors need to demonstrate the potential of a large market and that the company can scale to meet this demand (Shelton, p. 38);
- You need to clearly show the reader how you will generate income - this is called a business model (Shelton, p. 38);
- The sales forecast should be based on data and analysis, a marketing plan, with the help of which you can find potential customers and turn them into customers (Shelton, p. 38);

- Many marketing sections lack a specific action plan. Instead, the entrepreneur believes that customers will find their business and buy their product or service without making any effort to direct them towards their product or service. Hence, you need a specific marketing plan to attract new customers (Shelton, p. 38).

## **9) Sales strategy**

Sales strategies deal with how and when to close sales prospects, how to compensate sales people, how to optimize order processing and database management, how to maneuver price, delivery, and conditions (Berry, p. 71).

The sales strategy should be based on numbers and the real market situation. List the following points here:

- the number of customers in your segment;
- monthly direct sales costs;
- income from each product;
- sales tactics.

The number of customers in the segment will help determine the physically possible maximum sales. Make up sales tactics - the path that the client will go from being interested in the product to buying it.

## **10) Financial plan**

The financial plan determines the viability of a business idea in an economic sense. When the investor sees this section, he will decide whether to invest in this project, and the entrepreneur will decide whether to open this business. Here's what should be written in financial terms:

- sources of financing;
- volume of sales;
- payment schedule;
- direct and indirect costs;
- cash flow analysis;
- net profit and threshold of profitability.

Include in this section all expenses such as rental costs, raw materials, etc. Try to forecast revenue, net income, and gross margin - the percentage difference between revenue and total cost of sales. In the form of a graph, data from a monthly cash flow analysis should be indicated: how much you will have to pay suppliers and for renting premises, how many products you will be able to sell, how much you will have to pay for raw materials, how much you will spend on salaries (Shelton, pp. 39-41).

Even if the business is just starting, it is important to have an exit strategy. This strategy doesn't need to be specific, but it should provide an understanding of how this might happen - for example, selling to a larger competitor. The point is that investors usually only get money when they withdraw money (Shelton, pp. 30-41).

### **11) Risk assessment**

Risk assessment is also an important part of planning. This section should list the risk factors as well as the strengths and weaknesses of the company. In this section, a strategy is developed in the event of an undesirable development of events.

This section will describe the following:

- internal and external risks;
- risk indicators;
- an action plan for each risk indicator.

Risks are volatile, so when the market situation changes, they should be reassessed. Identify specific risk areas. Then install risk indicators - these are indicators that will show that the situation is getting out of control.

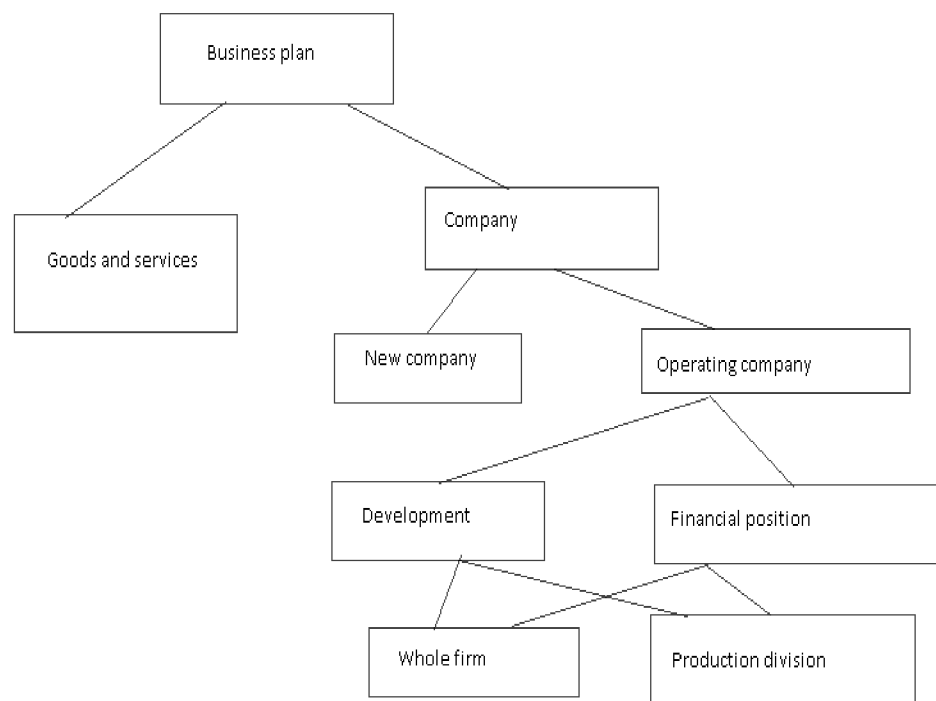
Think about the actions to take as soon as the risk arises. It is necessary that the team has a person responsible for monitoring the risks and revising the measures taken.

#### **3.1.3 Marketing research as the main source of data on external environment**

The content and structure of a business plan may vary depending on the goals of its development. The chosen socio-economic goal of the company for the upcoming period of its activity should be fully reflected in the developed business plan:

- A comprehensive business plan is developed for newly created or opened companies, which includes detailed economic calculations for all sections and indicators of design, construction and development of new production of goods and services.

- In operating enterprises, business plans are usually created with the aim of achieving strategic, tactical or operational directions and tasks related to the further development of production or functional units, restructuring or expansion of the organization, etc.
- In case of stable operation, the company should focus on updating fixed assets and developing new technologies.
- With a significant decline in production, the business plan should provide for the search for new markets, expansion of product sales, etc.
- In some cases, the development of comprehensive business plans is required, in others - the development of local business projects.



**Source 2: Author of the thesis**

### **1: Typology of business plans by business objects**

When developing a business plan, it is necessary to take into account the specifics of the industry, the overall strategy, and the product concept (GALAI, 2016). The content of a business plan depends on the specifics of the project, which is determined by a number of factors: the size

of the enterprise, the nature of the project, and the terms of financing. As already mentioned, all this is reflected in the content of the business plan.

The enterprise is an open system, as it actively interacts with the environment. In order to function successfully, a company must constantly monitor the state of the external environment, trends in its development, opportunities and dangers of business. The person who develops a business plan must most accurately predict the state of the environment for the planning period based on its current state. The most widely used tool for determining it is marketing research.

Marketing research refers to the systematic collection, display and analysis of data on various aspects of marketing activities. Marketing research is a function that, through information, connects marketers with markets, consumers, competitors, with all elements of the external marketing environment (MALHOTRA, 2010). They reduce the level of uncertainty of all elements of the marketing mix and its external environment.

Marketing specialists distinguish the following objects of marketing research: external business environment, market, consumer and competitors. Market research involves finding out its state and development trends, which can help to identify the shortcomings of the current market position and suggest opportunities and ways to improve it.

Usually, when conducting marketing research, information is used, obtained on the basis of primary and secondary data.

Primary data are obtained as a result of specially conducted research; their collection is carried out through observations, surveys and experimental research.

Secondary data is understood as data previously collected from internal and external sources for purposes other than marketing research purposes.

Internal sources are company reports, conversations with employees and managers, marketing information system, accounting and financial reports; reports of managers at meetings of shareholders; sales staff messages, etc.

External sources are data from international organizations (International Monetary Fund, European Organization for Cooperation and Development); laws, decrees, decisions of state bodies; speeches by state, political and public figures; official statistics, research results, etc.

One of the important issues in marketing research is the organization of their conduct. Different companies organize their marketing research function differently (MALHOTRA, 2010). Some



have a dedicated marketing research department, others have only one specialist responsible for marketing research.

Basically, the firm has only one specialist who is responsible for marketing research. He may conduct marketing research himself, but his main focus is to help managers understand the need to conduct appropriate marketing research and from marketing research consulting firms.

Marketing research can be conducted independently, or the organization can use the services of specialized consulting organizations (MALHOTRA, 2010). When choosing between the first and second options for conducting marketing research, many factors are taken into account:

- Cost. Many organizations find it cheaper to do market research on their own.
- Experience in conducting research, specialists of the required qualifications. This is especially important to take into account when using complex methods of marketing research and processing the results.
- Knowledge of the technical features of the product. Usually the company's specialists know them better, and this knowledge can not be easily and quickly transferred to specialists from other organizations.
- Objectivity. Experts from specialized organizations are usually more objective in their assessments.
- Availability of special equipment: computers and special programs for them, equipment for testing.
- Confidentiality is better preserved when conducting marketing research by company employees.

Among the methods of conducting research are distinguished:

- Exploration - research carried out with the aim of collecting information about a problem of interest;
- Descriptive - research aimed at describing marketing problems, situations, markets;
- Casual research - research that finds out the reasons for changes in consumer attitudes, a decrease in the market share of a company, etc.

Among the data collection methods are:

- Observation - serves to obtain additional information about the object of research;
- Focus group method - studies the tastes and preferences of consumers, as well as studies emotional and behavioral reactions to advertising;

- Survey - obtaining information through surveys, can be carried out through interviews, filling out questionnaires on a PC, telephone survey;
- Panel method - a survey of a sample of surveyed units of the panel for a permanent subject of research for a certain period of time.

In conclusion, it should be noted that a business plan helps entrepreneurs to solve the following main tasks: to determine specific areas of the company's activities; markets and the place of the enterprise in these markets; determine the long-term and short-term goals of the company, strategies and tactics of their achievement; identify the persons who are responsible for the implementation of each strategy; determine the indicators of goods and services that will be offered to consumers; assess the compliance of the company's personnel and the conditions for motivating their work with the requirements for achieving the set goals; determine the composition of the company's marketing activities for market research, advertising, pricing, distribution channels, etc .; assess the material and financial position of the company and the availability of financial and material resources to achieve the set goals; anticipate difficulties that may interfere with the implementation of the business plan.

### **3.2 SWOT Analysis**

SWOT analysis is a universal method of strategic planning, which consists in identifying the factors of the internal and external environment of the organization.<sup>1</sup>

A SWOT analysis reveals which internal and external factors help a company grow and which hinder it. The goal is to identify and assess the prospects for possible development directions in order to develop an effective strategy based on this.<sup>2</sup>

During the SWOT analysis, it is necessary to remember that both internal and external factors influence its result. Internal include product quality, company policy, company competitiveness. And external ones include the market situation, customer loyalty, economic policy, etc.

Now let's consider that includes a SWOT-analysis:

- Strengths - show what features and characteristics of a product or service help to gain an advantage over competitors in the market. At the expense of these parties, a plan is created to increase sales, stay ahead of competitors and increase the company's income.

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<sup>1</sup>LivePlan "What is SWOT analysis and how to do it right", posted 2021 by Noah Parsons. Available online at: <https://www.liveplan.com/blog/what-is-a-swot-analysis-and-how-to-do-it-right-with-examples/>

<sup>2</sup> YAGLA "SWOT анализ - практическое руководство", posted 2021. Available online at: <https://yagla.ru/blog/marketing/swotanaliz/>

- Weakness - shows what prevents the company from taking a leading position in the market and why the company is inferior to competitive goods and services. By examining and identifying these parties, a company can change its strategy to address these weaknesses and minimize losses.
- Opportunities - the company's capabilities. Factors that affect the development and growth of the company. When these opportunities are used properly, the strengths of the enterprise can be strengthened.
- Threats - factors that adversely affect the development of the company and lead to a decrease in the competitiveness of goods and services, as well as to a decrease in sales. By studying threats, solutions can be found to eliminate them.<sup>3</sup>

After a specific list of strengths and weaknesses, as well as threats and opportunities of the organization has been drawn up, the SWOT matrix is compiled, which has the following form:

**2 Table: SWOT Matrix**

Internal External	Strengths (S) related to therapy	Weaknesses (W) related to therapy
Opportunities (O) related to patient	SO (maxi-maxi) Maximize S & O All-maxi-strategy	WO (mini-maxi) Minimize W & maximize O Opportunity-focused strategy
Threats (T) related to patient	ST (maxi-mini) Maximize S & minimize T Strength-focused strategy	WT (mini-mini) Minimize W & T All-mini-strategy

**Source 3: ResearchGate.net**

SWOT analysis is a good tool for working out projects and strategies. If some data is incorrect or incompletely collected, then the result of the analysis will be ineffective. There are 5 rules for correct SWOT analysis:

<sup>3</sup> Marketopedia "SWOT - анализ, posted 2011. Available online at: <http://marketopedia.ru/47-swot-analiz.html>

- 1) It is not a general business that needs to be analyzed, but a segment-based one. That is, more objective results can be obtained when analyzing a separate direction of a company, product or service.
- 2) Advantages should not be confused with opportunities, and weaknesses should not be confused with threats. Strengths and Weaknesses - the internal definition of the company, which can be changed by your own efforts. Opportunities and threats are external characteristics that define the market and consumers. The company cannot influence them.
- 3) To determine strengths and weaknesses rely not only on the opinion of company leaders or competitors also rely on the opinion of consumers, buyers, partners. Indeed, it is their opinion that affects the competitiveness of your company in the market.
- 4) An objective assessment is important in SWOT analysis. Therefore, when studying the issue, it is important to be guided by the opinion of several sources, fixing this with figures and facts. Therefore, it is good if a group of specialists is working on the analysis.
- 5) All disadvantages and risks should not only be found, but also ways to eliminate and minimize them should be found. And each of these decisions must be recorded.<sup>4</sup>

Based on what a SWOT analysis is and how to conduct a SWOT analysis, it can be concluded that a SWOT analysis allows to identify the weaknesses and threats of the company, as well as the strengths and opportunities for the development of the company. Thanks to this, it is possible to choose a development strategy for the company in such a way as to effectively eliminate external threats, withstand competition in the market and steadily increase the efficiency of the enterprise.<sup>5</sup>

At the same time, it should be remembered that it is necessary to conduct an analysis of weaknesses, based on the situation in the market. In this way, the most effective work strategy can be developed.

And to obtain the most complete and reliable facts, SWOT analysis must be carried out not only for the company as a whole, but also for individual goods and services. SWOT analysis can be done without being a specialist in all areas. But when studying a particular issue, expert opinions should be obtained based on research, analytics, and general data. This should help develop the right strategy and develop the company in the best possible way.

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<sup>4</sup> Calltouch "SWOT – анализ", posted 2021. Available online at: <https://www.calltouch.ru/glossary/swot-analiz/>

<sup>5</sup> Business news daily "SWOT Analysis: What it is and when to use it", posted 2021 by Skye Schooley. Available online at: <https://www.businessnewsdaily.com/4245-swot-analysis.html>

### **3.3 Financial forecast and planning**

One of the most important documents in a business plan is financial planning and forecasting. The main object of financial planning is financial resources that are distributed among the individual subjects of the financial system. The central place in the system of financial plans is occupied by budget planning, carried out in accordance with the socio-economic policy in the state.

#### **3.3.1 How to make a financial forecast of a business plan**

Objectivity and the correct approach to drawing up a financial forecast of a business plan largely determines the feasibility of the project and the interest of investors in it.

In this case, a financial forecast means the forecast of indicators that underlie the financial plan.<sup>6</sup>

Often a person who prepares a business plan is faced with the fact that the forecast indicators are very difficult to explain, especially if a business plan is being drawn up for a new business. In this case, it is necessary to focus on indirect components, which will become the basis for predicting financial results.

Internal and external factors affecting the business can have both the most negative and the most positive impact, which ultimately transforms into the minimum and maximum possible financial result.<sup>7</sup>

Thus, it is best to draw up pessimistic and optimistic scenarios, focusing on the fact that the actual results will be in the specified range.

Step by step, this process looks so that internal and external risks are assessed in turn and not based on these results a sales plan is drawn up under the worst and best circumstances.<sup>8</sup>

The results obtained are compared with the point of sustainability and profitability of the business. Thus, the viability of the company in each scenario is determined and ensure that the company is able to cope with the difficulties caused by internal and external factors.

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<sup>6</sup>Bench "How to create a financial forecast", posted 2019 by Bryce Warnes. Available online at: <https://bench.co/blog/accounting/financial-forecasting/>

<sup>7</sup> The great game of business "Financial Forecasting Fundamentals for business". Available online at: <https://www.greatgame.com/the-fundamentals/financial-forecasting>

<sup>8</sup> Инвестиционные оценки бизнеса "Понятие финансового прогнозирования", Posted by Анастасия Б. Available at: <https://finzz.ru/finansovoe-prognozirovanie-kratko.html>

It is very important not to forget to consider price regulation and profitability of sales, which can also change. Calculations must be made for each individual product group, taking into account the seasonality of sales.

The absence of an increase in accounts receivable will help to avoid cash gaps and maintain the ability to cover current debts.

### **3.3.2 Financial planning**

Financial planning is a way to set short-term and long-term financial goals and develop a plan to achieve them. Plan as an aid: Shows what the business should prepare for.

It is important to develop a financial plan as soon as there is an understanding of the goals and way of doing business.

The plan includes everything that the business needs to achieve its goals:

- all types of activities;
- resources;
- Equipment and materials;
- time frame.

Financial planning is not equal to accounting. The company does not analyze what has already been spent, but makes a forecast for the coming months: what will be the income and expenses. This forecast acts as an early warning system, showing you where to cut costs, determine your financial needs, and determine the optimal timing.

The plan visualizes the areas where resources need to be increased in order for the business to be successful. This could be marketing, expansion, or product development.<sup>9</sup>

There are different types of financial plans that need to be designed in order to achieve the goals. Here are some of the key types of financial planning:

- Cash flow planning. This is one of the most important types of financial planning, in which the company predicts its short-term and long-term cash receipts and payments.
- Investment planning.
- Planning income, expenses and financial results.
- Tax planning, etc.

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<sup>9</sup> Franklin Templeton "Importance of financial planning". Available online at: <https://www.franklintempletonindia.com/investor/investor-education/video/importance-of-financial-plannng-io04og31>

In addition, the following types of plans can be distinguished for the planning period:

- long-term financial plan;
- short-term financial plan.<sup>10</sup>

In conclusion, it should be said that the main financial document proposes a financial plan, representing a plan for the formation and use of cash income and savings of economic entities, sectors, systems, regions and the state as a whole. Financial plans provision of financial resources. The purpose of drawing up a financial plan is to determine financial resources, capital and reserves based on forecasting financial indicators.

### **3.4 Break - even point Analysis**

The break-even point is the volume of production and sales of products, at which expenses will be compensated by income, and with the production and sale of each subsequent unit of production, the enterprise begins to make a profit (Berry, p. 105).

In other words, the break-even point is understood as the moment when the enterprise will fully cover the losses and the company's activities will begin to bring real profits (Berry, p. 105).

The break-even point is the sales volume at which the company's profit is zero. Profit is the difference between income and expenses (Berry, p. 106).

The break-even point is measured in kind or in monetary terms. This indicator of the break-even point allows you to determine how many products need to be sold, how much work to perform, or services to provide so that the company's profit would be equal to zero (Berry, p. 106).

The break-even analysis of production is carried out only for a short period and on the condition that the production output for this period is limited by the existing production capacity. In other words, the company does not expand, does not install new equipment, does not open new workshops, etc.

Break-even analysis allows to solve the following tasks:

- find a break-even point;
- diagnose how many products need to be sold in order to reach the break-even point;
- set prices for goods that will increase demand and provide a planned profit;

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<sup>10</sup> Stock Quantum "What is financial planning?", posted by Dharmendra Mukati, 2020. Available online at: <https://stockquantum.com/what-is-financial-planning/>

- choose production technologies that are most effective in a particular case;
- to form an optimal production plan.<sup>11</sup>

It follows from this that the analysis of break-even production can be considered one of the ways to study demand in the current economy.

In order to properly analyze a company's break-even, it is important to know which factors have the greatest impact on the break-even.

One of the main factors is the volume of production. If the volume of production remains stable, the analysis is correct, and the low break-even level suggests that the company is not successful enough. At the same time, not only production capacity, but the number of personnel, the availability of repair work in production, etc., affects the level of break-even.<sup>12</sup>

There are several methods for break - even point analysis:

- Mathematical method

**3 Table: Indicators for calculating the break-even point by a mathematical method**

I	Profit value
S	Revenue
V	Variable costs
F	Fixed costs
Q	The volume of production in physical terms
V	Variable costs per unit of output
P	Unit price (selling price).

**Source 4: Author of the thesis**

The mathematical method, also called the management method, uses the formula for calculating the company's profit to calculate the break-even point. There are several different formulas for

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<sup>11</sup>Investopedia.com "Break-Even Analysis", Posted by Adam Hayes, 2021. Available online at: <https://www.investopedia.com/terms/b/breakevenanalysis.asp>

<sup>12</sup> Shopify Blog "Predicting Profitability: How to do Break – Even Analysis", Posted by Casandra Campbell, 2021. Available online at: <https://www.shopify.com/blog/break-even-analysis>



determining profit, but the simplest and most common of them is expressed as follows: profit (I) equals revenue (S), from which fixed (V) and variable (F) costs are subtracted.

The profit is calculated using the following formula:

**1 Formula: The Profit**

$$I = S - V - F \tag{1}$$

- Gross margin method

**4 Table: Indicators for calculating the break-even point by gross method**

CVP/BEP	Cost – volume – profit/Break – even point
TFC	Total fixed cost
TVC	Total variable cost
AVC	Average variable cost
TR	Total revenue
P	Price
Q	Production volume in physical terms
MR	Marginal revenue

**Source 5: Author of the thesis**

Gross profit or marginal revenue is an alternative option if the mathematical method cannot be used. This approach uses the concept of marginal revenue and uses the following formula: marginal revenue (MR) equals the sum of fixed costs (TFC) and profit (BEP).

The Marginal Revenue is calculated using the following formula:

**2 Formula: The Marginal Revenue**

$$MR = TFC - BEP \tag{2}$$

- Graphic method

The graphical method consists in determining the break-even point using charting. These charts display revenue and costs. Each of these indicators has a graph in the form of lines, and the point of their intersection is considered the break-even point.

All of these methods can only be used for short-term studies. They are not valid in cases where long-term decisions need to be made.<sup>13</sup>

Thus, In conclusion, it should be said that the break-even analysis is necessary, first of all, for short-term planning. At the same time, the search for a break-even point does not mean at all that the company is going to do without profit. Most often, a break-even point is sought in order to set a lower bar for product sales.

## **4 Practical Part**

### **4.1 General information about streaming services**

A streaming service is a platform that selects films, series, game streams, and even TV channels for user interests. In one place, people with different tastes can find what they are interested in. Content can be accessed from any device: smartphone, laptop or computer.

#### **4.1.1 Music streaming services**

According to the annual report of the Recording Industry Association of America, US music industry revenues rose to \$ 11.1 billion in 2019, up 11.7% from 2018. Physical sales accounted for only 10% of all revenue. Streaming accounts for 79.5% of all music industry revenues, or \$ 8.8 billion.<sup>14</sup>

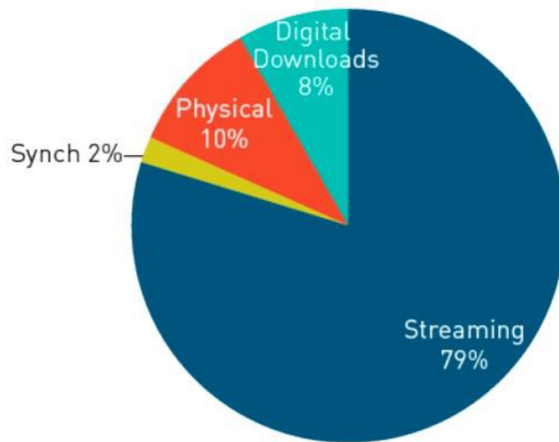
The streaming category includes many formats, including free ad-supported versions (like Spotify), premium subscriptions, streaming radio services (like Pandora).

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<sup>13</sup> Square “Break – even point formula and analysis”, posted by Coleen Egan, 2021. Available online at: <https://squareup.com/us/en/townsquare/how-to-calculate-break-even-point-analysis>

<sup>14</sup>Digital Music News “2019 US – Based Streaming Music Market”, Posted by Paul Resnikoff, 2020. Available online at: <https://www.digitalmusicnews.com/2020/02/25/recorded-music-market-2019/>

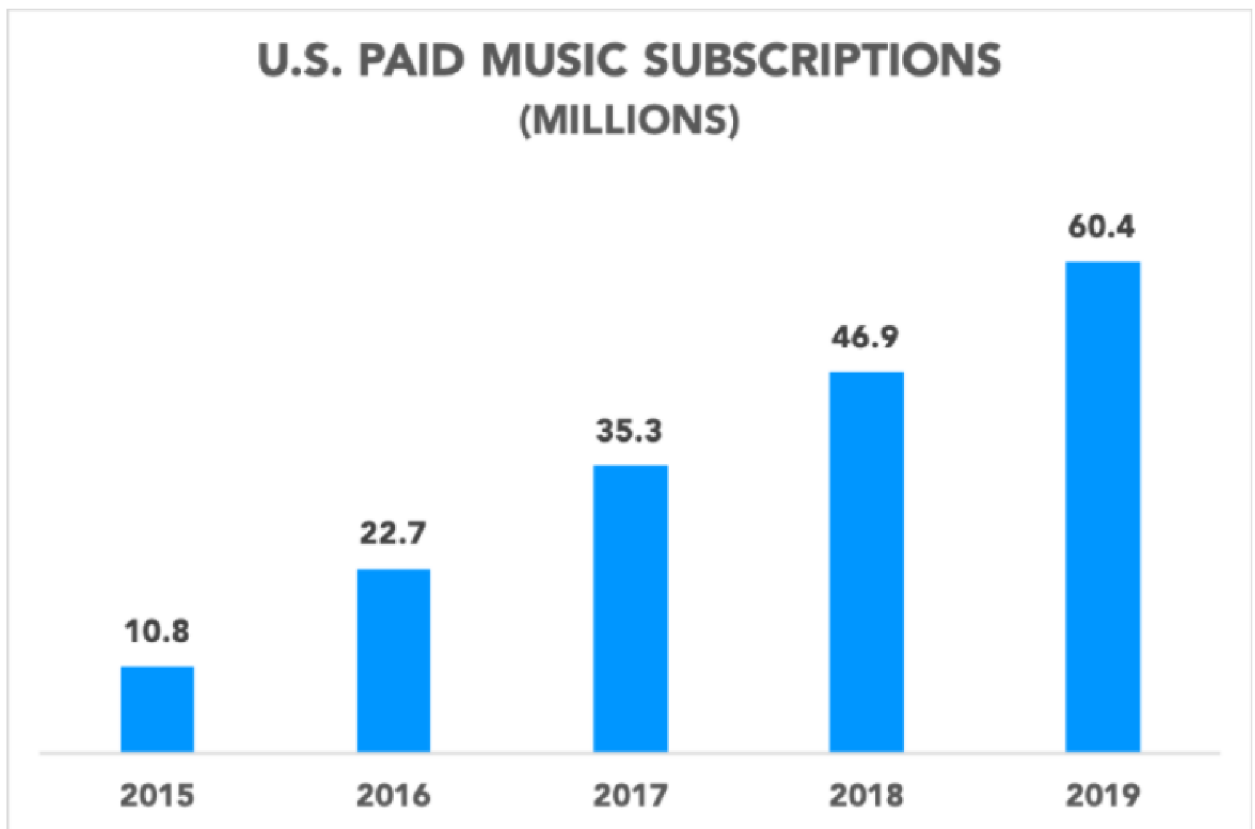
## U.S. MUSIC INDUSTRY REVENUES 2019



### 2: US Music Industry Revenues

#### Source 6: RIAA (Recording Industry Association of America)

Premium subscription revenues in 2019 were up 25% to \$ 6.8 billion, 61% of all reported US music industry revenues last year. This amount also includes \$ 829 million from limited subscriptions, such as those available only on mobile or limited in the catalog (this category also includes Amazon Prime and Pandora Plus). In total, in 2019, the number of paid subscribers of streaming services in the United States increased to 60.4 million people, which is 22.4% more than a year earlier, and 5.5 times more than in 2015.



### 3:US Paid Music Subscriptions (Milion)

#### Source 7: RIAA (Recording Industry Association of America)

Revenues from free ad services in 2019 grew by 20% to \$ 908 million. On these services, over 100 million users listened to over 500 billion songs in 2018. Despite this, the share in the total industry revenues was 8%. Revenue from digital and custom radio services fell 4% to \$ 1.2 billion. This category includes Internet radio and other ad-based streaming services.

Digital music revenues fell 18% to \$ 856 million, the first time since 2006 that digital sales were less than \$ 1 billion. Album sales fell 21% to \$ 395 million and individual songs fell 15%. , up to \$ 415 million

Physical sales revenues fell less than 1% to \$ 1.2 billion.

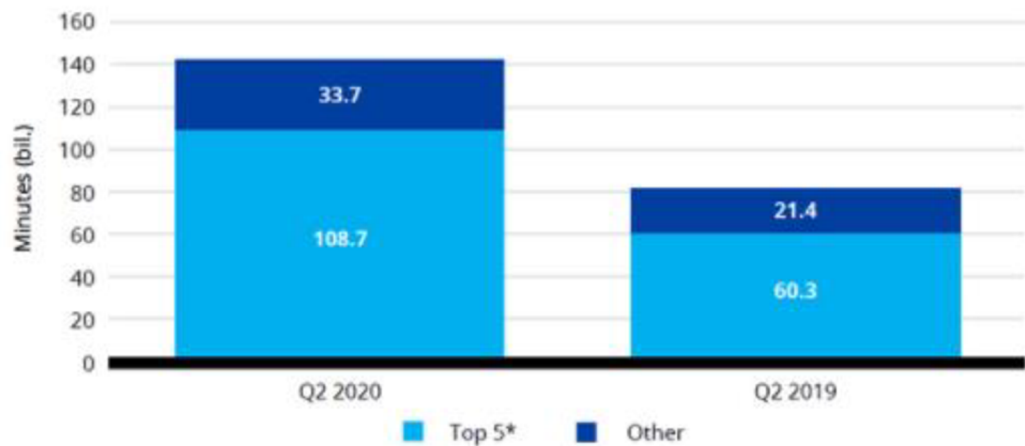
#### 4.1.2 Movie streaming services

There is excitement in the streaming market, the number of views in the world in March 2020 increased by 20%. New users sign up on Netflix one and a half times more often, and on Disney + new users sign up three times more often. TV ratings analyst firm Nielsen reports that in the first three weeks of March 2020, American users watched 400 billion minutes of online video.

We are talking only about those who use streaming via TV - Nielsen<sup>15</sup> has access to these statistics, and the numbers of views from computers and mobile devices do not reveal the services themselves. In terms of market share, Netflix was expected to be the leader (29% of total watch time), followed by YouTube (20%), Hulu (10%) and Amazon Prime (9%).



## GROSS MINUTES OF VIDEO STREAMING WATCHED



Top 5: Amazon Prime, Hulu, Netflix, Disney+ and YouTube  
 \*Top 5 in 2019 does not include Disney+, as it launched November 2019.

### 4: Gross Minutes of Video Streaming Watched

#### Source 8: Nielsen

In addition to serials and films, shot immediately for the small screen, large rental releases have also moved to streaming. Some of them (like, for example, "The Hunt" or "Bloodshot") managed to spend only about a week in American cinemas, and the "Trolls" immediately appeared on the network. These films are not available by subscription, but for a fee on all major venues that have this option (i.e. not on Netflix). But this fee is very high for home video: most of the films from last year that hit online will have to pay \$ 20. That's just over two cinema tickets at the national average (\$ 9.26). It's hard to imagine such a model becoming a working model, because for \$ 13 you can watch high-definition movies from the extensive Netflix catalog for a month. On the other hand, this is the only way to recoup the cost of a big Hollywood release.

<sup>15</sup>Nielsen "Cross – Media Currency Becomes Reality with Nielsen ONE", posted in 2020. Available online at: <https://www.nielsen.com/us/en/press-releases/2020/cross-media-currency-becomes-reality-with-nielsen-one/>

Of course, competitors Netflix and Prime in the current situation have also perked up. Disney launched its own streaming service in November 2019. On March 24, 2020, Disney + began operations in the UK and most of the European Union. Disney, the undisputed leader in movie distribution, Disney has suffered particularly heavy losses due to the COVID-19.

Viewers call the content distribution model of the Netflix streaming service the most optimal: Netflix original films and TV shows are released on the same day for the whole world. If Netflix publishes a series, then all episodes of the new season are available for viewing immediately. You don't have to wait a week for a series to come out as you do with TV releases. The user who paid for the subscription chooses when he will watch the series or movie. Accordingly, one of the important trump cards of streaming services is the availability of content.

With censorship, everything is simplified too. Streaming services are not limited to television broadcasting they have every right to speak on the most pressing topics. And, despite the attempts of the public to take away this right from them, at the moment there are no legislative obstacles for this.

Czech television is also struggling with commercial competition, where the latest major change was Nova, which launched a new version of Voyo.

Players from the operator environment cannot be forgotten. Unlike their American competitors, they don't sample original movie content, but by aggregating the offer of TV or select streaming services, they have a lot to offer. And as a group, they still have more paying customers than streaming services. O2 TV (nearly 500,000 customers) leads the numbers along with T-Mobile (under 200,000) or smaller TV operators such as Telly (the latter around 150,000) and Skylink (around 100,000). Vodafone expects to formally end ties with UPC this year and fully integrate the Horizon/My Prime video library into Vodafone TV. According to previous reports, UPC Television had about 500,000 customers in the Czech Republic and Slovakia. By the way, Skylink bought the exclusive spy series "Nelegální".

There are two media houses in the Czech Republic that film their original professional work and offer free streaming. Mall TV recently received an Emmy Award for the TV series "Marty is dead". Due to the fact that last year it has become more connected with the Czech News Center and thus can use the huge traffic of websites such as Blesk.cz (2, 5 million users a month), it finally has a chance to reach more people. Seznam and its once-famous video service Stream

also have something to catch up with, fighting not only for online advertising (Seznam TV alone has 2.8 million users in month), but also for TV market share<sup>16</sup>.

In conclusion, cable channels are fading into the background, and streaming services, on the contrary, are becoming more and more popular with viewers. Unlike the television format, streaming services allow their users to watch movies and TV shows whenever they want. But the most important thing is the freedom that the filmmakers get, who makes films and serials for online cinemas. As for the Czech Republic, there are new players who want to benefit from connoisseurs of good cinema, but they lack original films and series. At the moment, the war for the viewer among streaming services in the Czech Republic is still going on

It can also be said that music streaming services are also gaining more and more popularity, since it is easier for people to buy the music of their favorite artist on the Internet than to buy a CD disc, which will cost more.

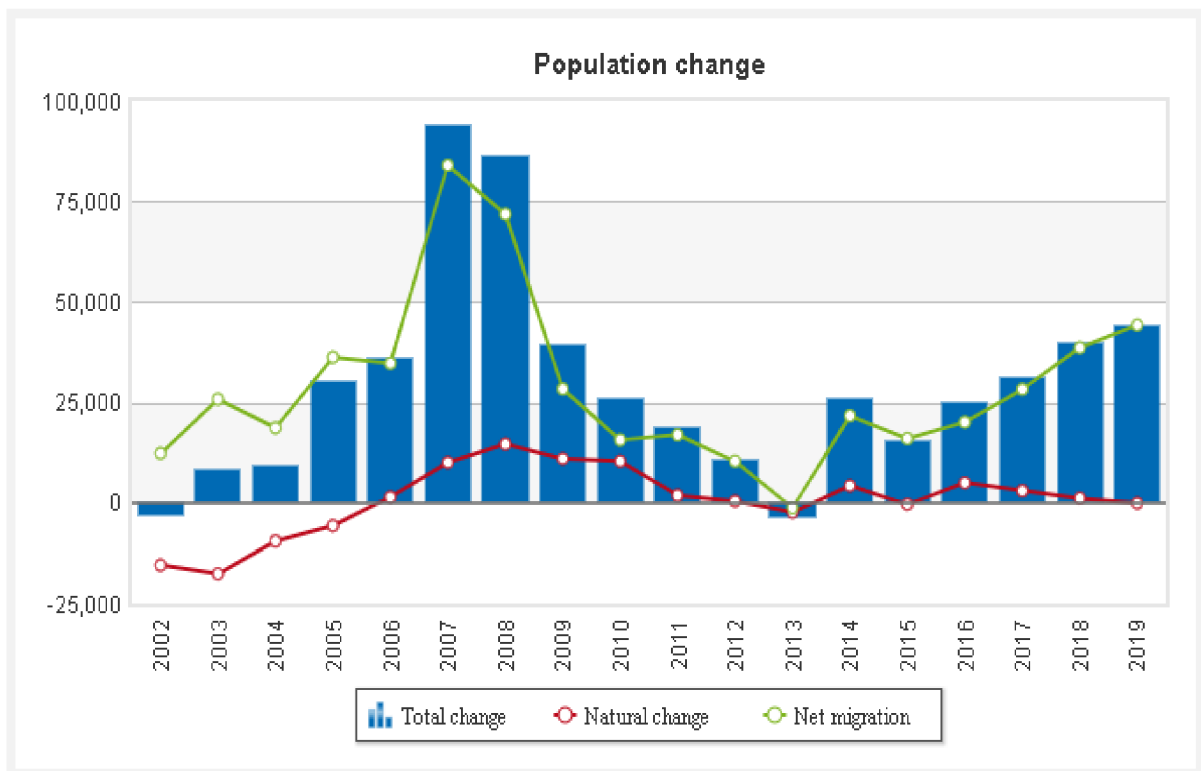
## **4.2 Creating a streaming service**

### **4.2.1 Market research**

The streaming service as a start-up business will be based in Prague, the capital of the Czech Republic. It has been a member of the European Union since 2004. This means that it is very important to research the local market. Many users in the European Union have to use Netflix, because there is simply no alternative to watching films and TV shows in their native language. Why not create a service where users watch video content in their own language? A platform where each viewer can choose what they like more and pay less than for cable, it seems to me that this is a great alternative to television. If the streaming service will create in the Czech Republic, then all content will be in Czech language.

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<sup>16</sup>« Streamingové války v roce 2021 naplno propuknou i v Česku» posted by Tomas Vyskočil in 8. 01. 2021 Available online at: <https://filmtoro.cz/blog/streamingove-valky-v-roce-2021-naplno-propuknou-i-v-cesku>



## 5: Population change

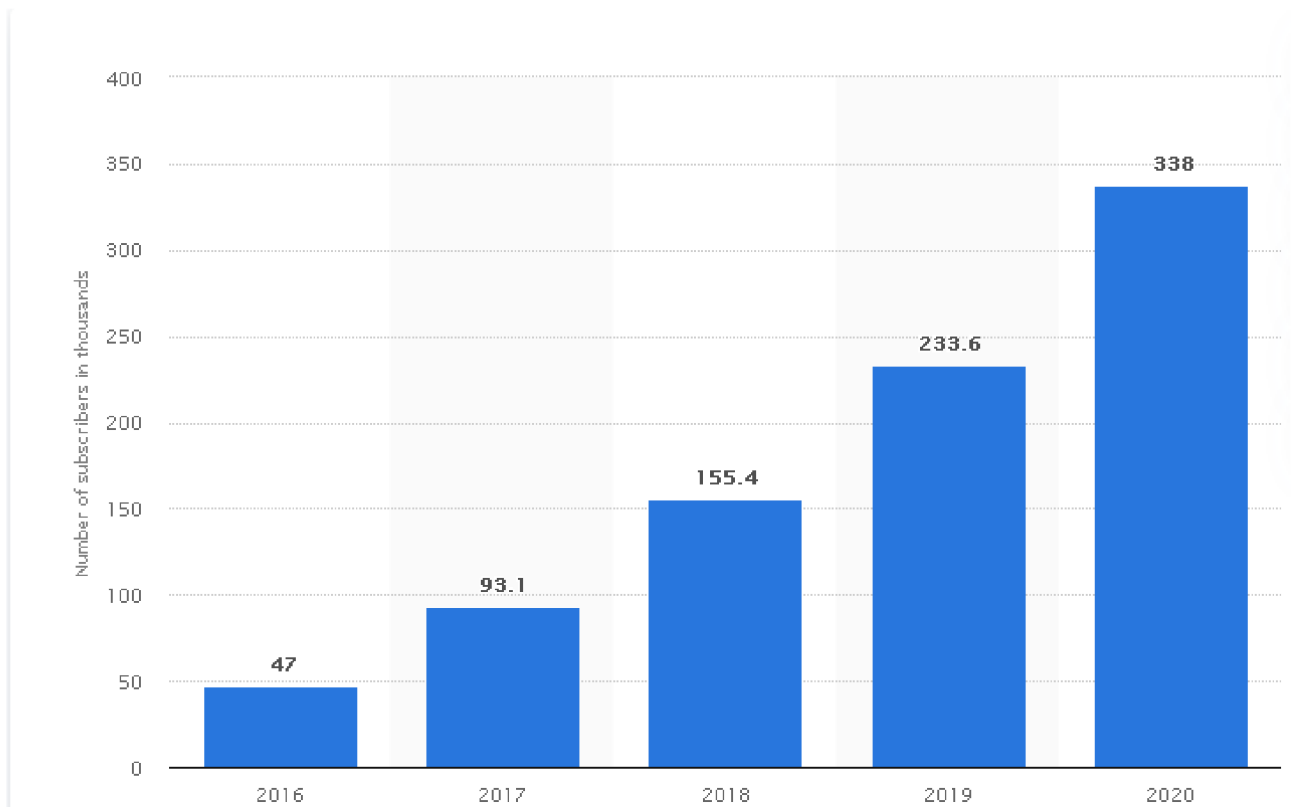
### Source 9: Public database CZSO

The population of the Czech Republic was **10 707 839** at 30 September 2020.

It is also very important to define the type of streaming service. Here are the more popular ones:

- Live webcasts from TV broadcasts. Not everyone has a TV at home, but tablets, smart phones and laptops are another matter - today few people can be imagined without these devices. Therefore, many TV providers are trying to attract more users from smart devices. Sling TV and Hulu are some of the most famous apps that work with this scheme.
- Time-shift broadcast. Users can watch TV programs using the Pause and Rewind functions. It is a more flexible model for streaming TV content.
- VOD (Video-on-Demand). With VOD, users can select movies, TV shows, cartoons and other video content using a search engine from the catalog. Modern streaming services often use recommendation systems that automatically suggest content to the user based on their personal preferences. And we can say this type of streaming service is the most popular among users, and therefore more profitable.





**6: Estimated number of active streaming subscribers for Netflix in the Czech Republic from 2016 to 2020 (in 1,000)**

**Source 10: STATISTA**

The quality of the services offered is still more important. As the global streaming market has matured in recent years, discerning consumers want video services to meet all of their needs, such as:

- streaming service should be available everywhere and on any device;
- video service should combine high-quality streaming with low latency;
- the streaming service must provide live broadcasts and video on demand;
- streaming service should include interactive features and flexible pricing (Gagan, pp. 283-285).

All of these consumer requirements must be considered in order to create a successful streaming service.

**4.2.2 Competitors**

In May, HBO's position in the top five streaming services enormously increased.

In terms of the total paid audience, it was previously confidently holding the fourth place (65 million users), and after the deal with Discovery, it can reach more than 80 million subscribers, which is close to Disney + (about 100 million, third in the world).

Top-2 is still out of reach for the rest of the market players. Netflix and Amazon each have over 200 million paying subscribers. Apple TV + (34 million users) closes the top five.

According to the American Motion Picture Association, over the past year, the global audience of video streaming has grown by 26% and exceeded 1.1 billion people. It is customary to associate this dynamic with pandemic and lockdowns, but this is only partly true. In English-speaking countries, vaccination is entering the final stage, quarantines are weakening, while streaming still records an increase in traffic. For example, WarnerMedia, which owns HBO, had 70% of users preferring an online service over a cable service back in March.<sup>17</sup>

The online audience is growing beyond lockdowns. This is evidenced by the fact that streaming viewers are actively switching to mobile applications, that is, they watch movies even without a home TV or laptop.

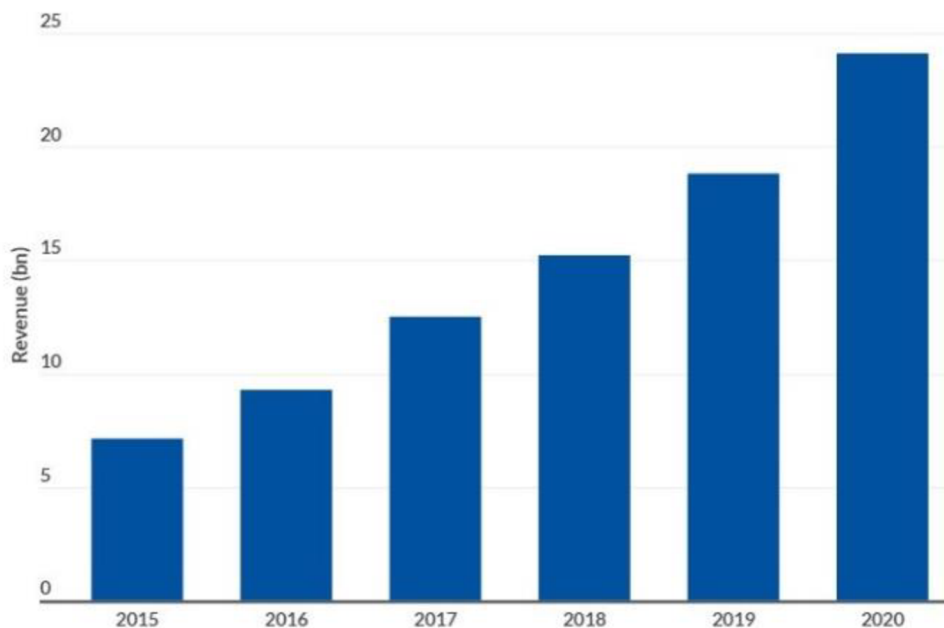
According to Grand View Research, total revenues in the segment of mobile video services, including streaming services Youtube and gaming Twitch, increased by 28% over the past year. In the previous 5 years, it grew in the range from 22% to 30%. In other words, digital content consumption is a fundamental trend, not just a pandemic effect.<sup>18</sup>

From the perspective of an investor, the picture looks very different. There are not so many stocks that allow you to fully participate in the growth of the streaming market. In particular, not only Apple and Amazon, whose main business is not related to video content, are disappearing, but also Disney and AT&T, which have less than 20% of their asset portfolio streaming.

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<sup>17</sup> Motion Picture Association “Global Subscriptions to online video services, new MPA report finds” , posted in march 2021. Available online at: <https://www.motionpictures.org/press/global-subscriptions-to-online-video-services-exceeds-one-billion-for-first-time-ever-new-mpa-report-finds/>

<sup>18</sup> Grand View Research “Video streaming market size and trend analysis report” , Posted in February 2021. Available online at: <https://www.grandviewresearch.com/industry-analysis/video-streaming-market>



**7 Growth of revenue in mobile video services**

**11 Source: Grand View Research, Statista**

Another feature of the streaming market is that its main players are not direct competitors. For the most part, the struggle for an audience is between classic content providers (movies and TV) and new ones (streaming video), while in digital channels, subscribers are not fixated strictly on one service. For example, half of Netflix's paying users have a concurrent subscription to Disney + and Hulu, and more than 60% to Amazon Prime.

	Netflix	HBO Max	Amazon	Disney +	Hulu	Apple TV +
Netflix	0%	20%	63%	50%	50%	25%
HBO Max	90%	0%	89%	79%	83%	56%
Amazon Prime	84%	27%	0%	61%	62%	34%
Disney+	87%	31%	82%	0%	70%	39%
Hulu	85%	32%	79%	68%	0%	38%
Apple TV+	92%	46%	91%	81%	79%	0%

**8 How many users have an additional subscription in another streaming**

**Source 12: Statista**

The video streaming market is still highly segmented. Discovery + documentaries are not hindering the growth in demand for HBO studio programming, Netflix live action series, and Disney family blockbusters.

Each service has its own strengths, and this allows the investor not to choose either, forming a whole portfolio of securities of streaming companies that have a share in this market.

The main thing is that the market is not yet oversaturated with services. According to Decision Data, the average American household spend on Pay TV is \$ 217 per month, or \$ 2,600 per year. This is more than enough to simultaneously buy a subscription to the top 7 most popular streaming services plus rent a set-top box that will allow to manage multiple accounts at the same time.

The cost of marketing comes to the fore, how you can promote your series and light up in the eyes of the consumer. It is the need for quality content that pushes companies to spend hundreds of millions of dollars on it. To describe the situation today, you can look back and remember the history of “House of Cards”, this series was at the center of a scandal.

Now the titans of streaming services such as Netflix, HBO, Disney + and others spend huge resources to create new content. For small players, this means going into certain niches, focusing not on the mass taste and the hope that some of these series will “shoot”, which means that new users will come. Users are only trying to capture the market, but segmentation has already taken place on it. This indicates an extremely high degree of competition, the streaming market is aggressive.

#### 4.2.3 Financial plan

The initial cost of starting a streaming service in the Czech Republic will be around 200 000 CZK.

**5 Table: Recurring expenses**

<b>Expenses</b>	<b>CZK</b>
Employees	80 000
Advertising	20 000
Rental Equipment	30 000
Rent Paid	25 000
Utility Expenses	5 000
<b>Total</b>	<b>160 000</b>

**Source 11: Author of the thesis**

In order to attract an audience at the initial stage, you need, at least, to have a catalog of films on the service, from which a person can choose what to watch. To do this, you need to buy licenses for the official streaming of these films. For example, the initial catalog will have 100 films. For the owner of the streaming service, this will mean that he will have to pay another 200 000 CZK.

**6 Table: Subscription cost**

Tariff	CZK (per month)
Minimum tariff	200
Standard tariff	300
Premium tariff	400

**Source 12: Author of the thesis**

**7 Table: Meaning of tariffs**

	Minimum	Standard	Premium
Monthly cost	200	300	400
Number of screens you can watch on at the same time	1	2	4
Number of phones or tablets you can have <u>downloads</u> on	1	2	4
Unlimited movies, TV shows and mobile games	✓	✓	✓
Watch on your laptop, TV, phone or tablet	✓	✓	✓
HD available		✓	✓
Ultra HD available			✓

**Source 13: Author of the Thesis**

The more expensive the tariff, the better the image quality of the film, as well as more people can use the service at the same time.

Considering the prices of the tariffs and the advantages of each tariff, we can assume an approximate number of subscribers in Czech Republic for each tariff in first month.

**8 Table: Number of subscribers in first month**

<b>Tariff</b>	<b>Subscribers</b>
Minimum tariff	100
Standard tariff	200
Premium tariff	50
<b>Total</b>	<b>350</b>

**Source 14 : Author of the thesis**

The number of subscribers who are willing to pay more for the standard tariff, as it is more beneficial for families.

Knowing the number of subscribers, you can calculate the income for the first month:

- Minimum tariff:  $200 \times 100$
- Standard tariff:  $300 \times 200$
- Premium tariff:  $400 \times 50$
- Total:  $200 \times 100 + 300 \times 200 + 400 \times 50$

**9 Table: First month income**

<b>Tariff</b>	<b>CZK</b>
Minimum tariff	20 000
Standard tariff	60 000
Premium tariff	20 000
<b>Total</b>	<b>100 000</b>

**Source 15: Author of the thesis**

#### **4.2.4 Break - even point**

Break-even point is sales volume at which the business profit is zero.

For the analysis, the required values for the next 12 months were calculated. The first line contains the data required to open a company. Next comes the calculation, which is based on the estimated number of subscribers.

**10 Table: Break - even analysis (first 6 month)**

Months	Tariff	Units	Revenue	Total revenue	Fixed cost	Variable cost	Total expenses	Profit
0		0	0 Kč	0 Kč	160 000 Kč	200 000 Kč	260 000 Kč	-260 000 Kč
1	Minimum	100	20 000 Kč	100 000 Kč	160 000 Kč	250 000 Kč	410 000 Kč	-310 000 Kč
	Standard	200	60 000 Kč					
	Premium	50	20 000 Kč					
	<b>Total:</b>	<b>350</b>						
2	Minimum	160	32 000 Kč	156 000 Kč	160 000 Kč	300 000 Kč	460 000 Kč	-304 000 Kč
	Standard	280	84 000 Kč					
	Premium	100	40 000 Kč					
	<b>Total:</b>	<b>540</b>						
3	Minimum	250	50 000 Kč	225 000 Kč	160 000 Kč	350 000 Kč	510 000 Kč	-285 000 Kč
	Standard	370	111 000 Kč					
	Premium	160	64 000 Kč					
	<b>Total:</b>	<b>780</b>						
4	Minimum	340	68 000 Kč	314 000 Kč	160 000 Kč	400 000 Kč	560 000 Kč	-246 000 Kč
	Standard	500	150 000 Kč					
	Premium	240	96 000 Kč					
	<b>Total:</b>	<b>1 080</b>						
5	Minimum	450	90 000 Kč	424 000 Kč	160 000 Kč	450 000 Kč	610 000 Kč	-186 000 Kč
	Standard	660	198 000 Kč					
	Premium	340	136 000 Kč					
	<b>Total:</b>	<b>1 450</b>						
6	Minimum	520	104 000 Kč	457 000 Kč	160 000 Kč	500 000 Kč	660 000 Kč	-203 000 Kč
	Standard	630	189 000 Kč					
	Premium	410	164 000 Kč					
	<b>Total:</b>	<b>1 560</b>						

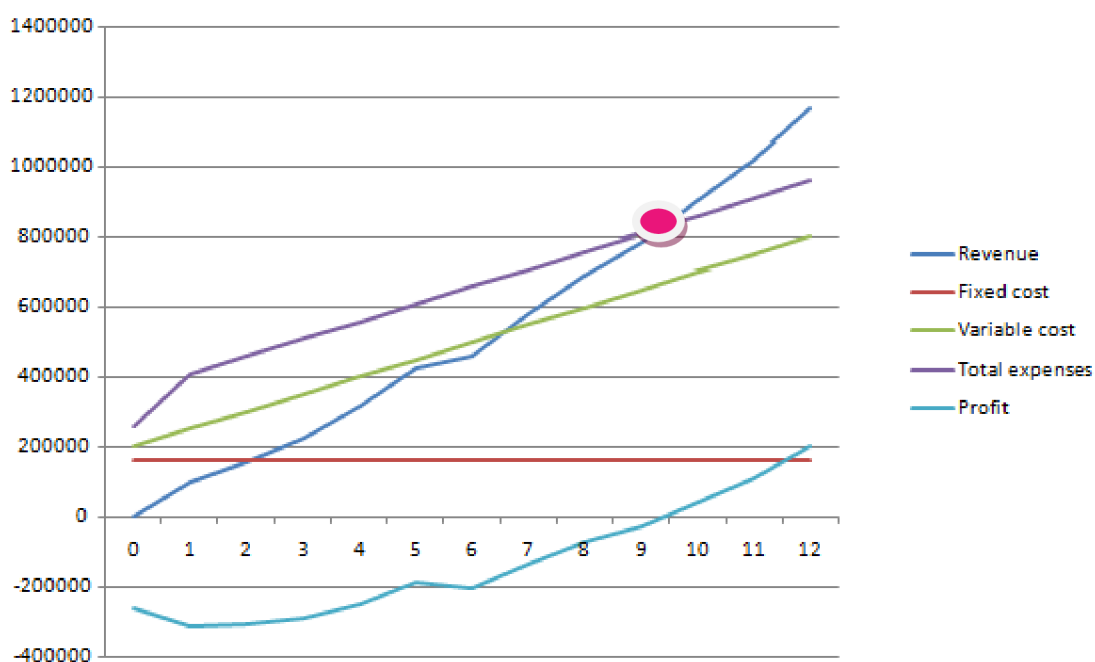
Source 16: Author of the thesis

**11 Table: Break – even point analysis (next 6 month)**

7	Minimum	620	124 000 Kč	578 000 Kč	160 000 Kč	550 000 Kč	710 000 Kč	-132 000 Kč
	Standard	780	234 000 Kč					
	Premium	550	220 000 Kč					
	<b>Total:</b>							
8	Minimum	800	160 000 Kč	690 000 Kč	160 000 Kč	600 000 Kč	760 000 Kč	-70 000 Kč
	Standard	900	270 000 Kč					
	Premium	650	260 000 Kč					
	<b>Total:</b>							
9	Minimum	920	184 000 Kč	787 000 Kč	160 000 Kč	650 000 Kč	810 000 Kč	-23 000 Kč
	Standard	1050	315 000 Kč					
	Premium	720	288 000 Kč					
	<b>Total:</b>							
10	Minimum	1100	220 000 Kč	904 000 Kč	160 000 Kč	700 000 Kč	860 000 Kč	44 000 Kč
	Standard	1200	360 000 Kč					
	Premium	810	324 000 Kč					
	<b>Total:</b>							
11	Minimum	1260	252 000 Kč	1 023 000 Kč	160 000 Kč	750 000 Kč	910 000 Kč	113 000 Kč
	Standard	1370	411 000 Kč					
	Premium	900	360 000 Kč					
	<b>Total:</b>							
12	Minimum	1400	280 000 Kč	1 164 000 Kč	160 000 Kč	800 000 Kč	960 000 Kč	204 000 Kč
	Standard	1480	444 000 Kč					
	Premium	1100	440 000 Kč					
	<b>Total:</b>							

Source 17 : Author of the thesis

**12 Table: Break – even point analysis (month)**



Source 18: Author of the thesis

There are 4 lines of different colors on the graph. They mean: dark blue is a Revenue, red is Fixed cost, green is Variable cost, purple is a Total expenses, blue is a Profit. The red intersection point of Revenue and Total expenses is the break - even point. The graph also shows



that streaming services reach the break-even point as early as the tenth month after the launch of the streaming service.

#### **4.2.5 Competitiveness**

Before moving on to the specifics of the company's competitiveness, it is necessary to determine how the company can strengthen its competitiveness in the market. To achieve this goal, any enterprise must form and use competitive advantages.

Users are always in need of new content. While wide choice can be overwhelming for viewers, platforms are the key to attracting and retaining followers.

The battle for subscribers is already in full swing and will only intensify as large media holdings launch their own streaming platforms.

This leads to the fact that the demand for exclusive and original content is now higher than ever, including as a marketing tool.

In today's highly competitive video content market, having a fan base means platforms not only increased loyalty and increased views, but also the survival of the business in general. To do this, this streaming service needs to provide, in addition to a wide variety of content, a high quality user experience, that is, clarity and reliability in use. Viewers prefer non-disruptive platforms with a huge archive of content even more than services that offer discounts or free trials.

The introduction of artificial intelligence into streaming services is becoming ubiquitous. Modern search algorithms and recommendation systems offer convenient solutions for both business and end users. Companies are investing heavily in expanding their content library to attract consumers, and advances in search have made it much easier for viewers to find what they are interested in. And in the event that users do not know what exactly they want to see, modern search technologies will help them with the choice.

Improving recommendation algorithms is not the only important task. Users know what they want more often than one might think. They spend the same amount of time both on a targeted search for specific content and on the search for something new. So, if you provide viewers with a quality user experience, helping them find what they need is just as important as helping them find new content. That is why today all services are thinking about improving recommendation algorithms.

And for users who choose specific content from recommendations, streaming services are increasingly replacing classic television.

Key development factors:

- Expanding the content offering
- Purchase of the most popular and proven materials in addition to the expanding video library
- User Experience Management to become the premier platform for finding and consuming content
- Striving for maximum service usability and emphasis on ease of use of content search
- Quality user experience should take precedence over monthly promotions
- Content and experience management with the service depending on what the user wants. Leveraging product analytics is critical to staying competitive
- Going beyond the usual genres. The service should recommend content that the user did not even know about.

All of these factors should attract new subscribers.

## **5 Conclusion**

The ability to properly organize and plan actions for a business idea are the main components necessary for an entrepreneur to succeed in today's market. A well-designed business plan for the company is an important component of the company's success in the future. Success also depends on the idea that this enterprise carries.

In conclusion, author of the thesis can say that, in accordance with financial calculations, he will be able to achieve the goals that the company set at the beginning of the business plan.

According to the financial planning, it will be able to make a profit in the tenth month. Also, the streaming service will achieve a full return on investment, which corresponds to the goal set at the beginning of work.

Based on the fact that we managed to achieve all business goals, we can conclude that the launch of a streaming service in the Czech Republic was strategically correct.

In conclusion of the thesis, the following conclusion can be drawn. The thesis achieved its main goal, which was to develop a detailed business plan for a streaming service in the Czech Republic.

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