

**Czech University of Life Sciences in Prague
Faculty of Economics and Management**

Department of Economics



Bachelor thesis

Analysis of e-business start-up project in Russian food import

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Department of Economics

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

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Economics and Management

Thesis title

Analysis of e-business start-up project in Russian food import

Objectives of thesis

The aim of this thesis is to learn how to create an independent company in Russia, which will import different kinds of food to Europe through the internet(in another words- to create an e-business start-up project). Also the aim is to make this company successful using such tools as qualitative promotion, making a professional website, constructing a splendid business plan and so on.

Try to evaluate global market in Russia and some European countries.

Determine and evaluate the main factors affecting price and quantity of food in the global market.

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e-business, start-up project, create a new company, design a website, import and export in Russia, business plan, marketing strategy(promotions, campaigns), management summary, financial plan, food import from Russia, analysis of russian food market, main russian importers, import from Russia to Europe, competitors

Recommended information sources

1. Dave Chaffey(2011). "E-Business and E-Commerce Management: Strategy, Implementation and Practice (5th Edition)". Publisher: Prentice Hall. ISBN-13: 978-0273752011.
2. "Start Your Own Business, Fifth Edition: The Only Start-Up Book You'll Ever Need" by The Staff of Entrepreneur Media. Publisher: Entrepreneur Press; 5th edition (October 2010). ISBN-13: 978-1599183879.
3. Boomy Tokan(2013). "How To Write Your First Business Plan" (First Timer's Guide). Publisher: CreateSpace Independent Publishing Platform. ISBN-13: 978-1489548115.
4. "Russia's Agro-Food Sector:Towards Truly Functioning Markets." by Peter Wehrheim, Klaus Frohberg, Eugenia Serova, Joachim von Braun. Publisher: Springer; 2000 edition (April 30, 2014). ISBN-13: 978-1461370444

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Declaration

I declare that my bachelor thesis ‘Analysis of e-business start-up project in Russian food import’ I have written on my own under the supervision of my academic adviser. All academic literature and information sources that are used in the work are listed in bibliography. Furthermore, I declare that, as the author of bachelor thesis, I did not infringe the copyright of third parties.

Prague

Ekaterina Khorkina

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Analýza e-business start-up projektu v importu potravin z Ruska

**Analysis of e-business start-up project in Russian
food import**

Anotace

Bakalářská práce se zabývá vytvořením zcela nové internetové stránky, která se stane internetovým obchodem na základě prodeje ruského tradičního jídla, jako jsou červený nebo černý kaviár, nakládané rajčata nebo houby, sled' a další různé výrobky, v České Republice. Tato práce obsahuje komplex různých nástrojů, jako jsou podnikatelský plán, marketingový plán a strategické nástroje (SWOT, PEST a marketingového mixu analýzy), které nepochybně budou součástí komplexní analýzy e-business start-up projektu v ruském dovozu potravin.

Klíčová slova: e-business, start-up projekt, podnikatelský plán, marketingový plán, strategické nástroje, internetový obchod, SWOT, PEST, analýza marketingového mixu, import potravin.

Abstract

The bachelor thesis is connected with a creating of a totally new website which will become an Internet shop based on selling Russian traditional food, such as red or black caviar, marinated tomatoes, mushrooms, herring and another miscellaneous products in the Czech Republic. This work contains a complex of different tools like business plan, marketing plan and strategic techniques (SWOT, PEST and Marketing Mix analyses), which undoubtedly will be a part of a comprehensive analysis of e-business start-up project in Russian food import.

Keywords: e-business, start-up project, business plan, marketing plan, strategic techniques, Internet shop, SWOT, PEST, analysis of Marketing Mix, food import.

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1. Introduction

This thesis is going to cover one of the most important and current interest themes nowadays, about developing of the e-business in real life in such country like Russia.

This type of business is starting to grow rapidly and to gain popularity among the entrepreneurs wishing to implement new profitable methods for earning money and to help their customers make purchases easier and with comfort. One of the meaningful and significant methods was implemented not so long ago called Online Shopping System. In such shops clients are able to know all about the firm, the goods and services this firm can offer. Presently we can face with type of companies, which have only online-based shops and do not have any physical premises for theirs stores. The most appropriate and well-known examples of these companies are ‘Ozon.ru’ and ‘Lamoda.ru’ in Russia or worldwide are ‘Ebay.com’, ‘Walmart.com’ and ‘Amazon.com’. Moreover, they can offer almost every type of goods and services: starting from a bag or a book and ending with a vehicle or a certificate for a parachute jump.

For this start up project, the researcher has chosen a branch of e-business connected with food import to the Czech Republic from Russia. It is not complicated to answer the question why the topic related to food was chosen. The food lies on the fundamental level of ‘Maslow's hierarchy of needs’. It is the most important requirement for human survival in real life. Consequently, there is no need to doubt that it is the most-wanted good on the world market. Also one of the most valuable features of this kind of business that we do not need to divide potential customers into layers because every person without exception needs food therefore it is very good for world economics and for firm’s profitability. Then we can conclude that it is a good direction to start e-business in.

2. Goals and Methodology

2.1. Goals

The main goal of the thesis is to learn how to create an independent company, which will import different kinds of food to the Czech Republic with the help of the Internet. It can be said in another words- to create an e-business start-up project and try to develop it in such a successful way with a potential opportunity to realize this project in real life.

The second goal is to investigate the tendencies of developing the Internet economy in Russia and the Czech Republic, to evaluate the global food market and foreign trade of Russia and to determine the main factors affecting price and quantity of food in the global market.

The last goal is to create an accurate and appropriate business plan for the e-shop, which subsequently will help the company to implement all its ideas and plans and to perform in the real world of business successfully, to work out a comprehensive marketing plan, which includes such chapters as market research, target customer and competitor analyses and strategy tools (SWOT, PEST and Marketing Mix analysis) and to write a brief and precise operations plan.

2.2. Methodology

This thesis mainly divided in the two parts: theoretical and practical. The first part starts from explaining what is the foreign trade of Russia and what its structure is based on, defining the main advantages and disadvantages of the Russian foreign trade. Then it will be continued with a part containing information about food foreign trade. Hereupon the researcher will smoothly move on to a large-scale topic called ‘The Internet and the Internet economy’. It is going to be about the Internet and the Internet economy, e-business, the main forms and fundamental models of e-business, its perspectives of development and growth in Russia and finally the theoretical part will end with representing the main concept of business plan.

The second part consists of the unique experience of the researcher in working-out the practical issues such as business plan for the whole. Moreover, in the thesis with the help of such tools as marketing mix, SWOT and PEST analysis, competitor and target group analysis market analysis the marketing plan will be worked out. Furthermore, the researcher will try to set a list of selling products, to find suppliers and to choose manufacturers.

Apart of theory and praxis in the bachelor thesis, the researcher uses the introduction to describe the importance of chosen topic in real life, the ‘Goals and Methodology’ chapter to explain the main goals which are going to be achieved and methods are going to be used in working out the project and achieving these listed goals. In addition to this, the ‘Literature Review’ will include the various opinions about the e-business stated by authors whose books will be used in researching, theirs thoughts about its perspectives of development and growth in different countries.

To crown it all, the researcher will deal with the conclusion of the whole thesis and drawing the conclusion from the successfully done research.

3. Literature review

The purpose of the literature review is to gain and then to cover all possible theoretical and practical data for the research question, which is stated in this bachelor thesis, and subsequently to draw conclusion about the work done. For this reason, the researcher will use various publications available both in electronic (on the Internet) and print (book shops and libraries) variants to gain all necessary information.

The following bibliographic sources will be used to obtain useful information and to define main ideas and opinions different authors tried to establish in theirs books: Robinson, M. and Kalakota, R. *E-business 2.0.*; Aspray, W., Royer, G. and Ocepek, M. *Food in the internet age.*; McKeever, M. *How to write a business plan.*; Stokes, D., Wilson, N. and Mador, M. *Entrepreneurship..*

The book of Robinson M. and Kalakota R. describes the main principles and mechanisms of e-business. The authors try to explore and to illustrate the easy ways to transfer your business from traditional business model to the new e-business model, what are the advantages of this new model and the impact it has in today's economy. (Robinson and Kalakota, 2001)

The publication of such authors as Aspray W., Royer G. and Ocepek M. is dedicated to Online Grocery Business and to understanding concepts of personal and professional uses of food there. The authors focus on the overview of competitors in this business, on business challenges and opportunities for online grocers and on identifying the dark side of selling food online. (Aspray, Royer and Ocepek, 2013)

Mike McKeever's publication is based on importance of writing the business plan and how to do it correctly. The author explains main stages of building a comprehensive and applicable business plan and gives detailed step-by-step instructions. In addition, he says to the audience that this book is established for individuals, because he is convinced that writing a business plan is a work of the mind of one person and the person should go through this journey by himself. (McKeever, 2014)

Last but not least, Stokes D., Wilson N. and Mador M. wrote publication, which deals with wide definition of the term ‘entrepreneurship’. The authors try to investigate main aspects of entrepreneurship process and its key roles, to evaluate the importance of entrepreneurship in the world economy and to analyse its life cycle. Also the book describes different types of entrepreneurship. All things are really important to know for becoming a successful business owner. (Stokes, Wilson and Mador, 2010)

All these information above obtained from analysing the different sources contains useful and important data for further researching the topic and will help to achieve the all goals and to answer all possible question which can appear during the period of writing the thesis.

4. Theoretical part

In the theoretical part the researcher would like to highlight the main definitions are included in the concept of e-business overall. The main object of the theoretical part is to define what is Foreign trade and food foreign trade in Russia, the Internet economy and its meaning in real life, to know also what is e-business in general and how it develops in Russia and to explain what is business plan and why it is so important for starting a new business up.

4.1. Foreign Trade of Russia

It is well known that Russian Federation is the largest country in the world and it owns big reserves of natural resources such as natural gas, coal and oil, which help to provide qualitative and quiet life for citizens with electricity and heating in their homes not only in Russia but also in another countries.¹ Moreover, it has a good reputation in exporting and producing a lot of kinds of agricultural products all over the world. To have such enormous amount of resources and good skills of manufacturing help Russia to be on the top in producing, exporting and importing in global.²

In addition, it must be mentioned that after eighteen years of waiting on 22 August 2012 Russia finally became one of the members of the World Trade Organization what opened the all doors into self-actualization on the Russian and the world markets and it will also help to strengthen a trade and economic relationships with the European Union in the future.³

But let us consider what is the structure of Russian foreign trade based on? It is based on producing fuel and power goods, chemical goods, timbering, ferrous and non-ferrous metals, foodstuffs and other materials. In addition, foreign trade plays a big role in providing people by consumer goods such as electronics, furniture and vehicles.

¹ Ec.europa.eu, (2015). *Russia - Trade - European Commission*. [Online] Available at:<<http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/>>

² Intracen.org, (2015). *Russian Federation*. [Online] Available at: <<http://www.intracen.org/>>

³ Wto.org, (2015). *World Trade Organization - Home page*. [Online] Available at: <<https://www.wto.org>>

In comparing with other countries, Russia has a significant number of competitive advantages in the foreign trade. For instance, there are huge reserves of raw materials, qualified and cheap labour force, big energy potential, well-developed agriculture and industry, a vast quantity of various industrial funds. With the help of all these aspects Russia has a lot of chances to make an imposing step in foreign trade development.⁴

On the other hand, in the Russian foreign trade are some weaknesses such as disagreeably high proportion of spending the state budget on industrial sectors, low efficiency of production, poor development of financial and organizational infrastructures within foreign trade partnerships. But nowadays the main problem is inhibiting the process of development of Russia in foreign trade are sanctions which were imposed by USA and EU due to happenings in Ukraine last year. These sanctions became one of the crucial causes of financial crisis and had a strong impact on Russia's import.⁵

4.2. Food Foreign trade

Food is the thing humanity could not survive without. It can provide us with different kinds of useful elements and vitamins for our health, which are irreplaceable for our lives. Likewise, food plays an enormous role in foreign trade.

Foreign trade can be explained as an exchanging of goods and services between different countries. This type of trade is really supported by the governments because it gives a good opportunity to raise a global economy and to provide domestic markets with goods, which may not have been available for us before. For instance, Russian citizens go to supermarket to buy some products like Chinese tea, Spanish mandarins, Italian wine or Finnish dairy products or they go to buy a German car such as BMW, Audi or Mercedes and some of them do not even think that they have just had an experience with an international trade.⁶

⁴ Study-i.ru, (2015). *Russian participation in the global foreign trade*. [online] Available at: <<http://www.studyi.ru/>>

⁵ Adomanis, M. (2014). *The Crisis In Ukraine Is Crippling Russia's Foreign Trade*. [online] [Accessed 3 Feb. 2015] Forbes. Available at: <<http://www.forbes.com/>>

⁶ Heakal, R. (2003). *What Is International Trade?* [online] Available at: <<http://www.investopedia.com/articles/03/112503.asp>>

It stands to reason that connecting words ‘food’ and ‘foreign trade’ into one phrase we will obtain ‘Food Foreign trade’. The Food trade has existed for centuries and nowadays it is only continuing to evolve. All these developments can be explained by such reasons as technical progress in transport and information technologies, progress made in trade negotiations, and creation of some international and regional organizations and agreements.^{7 8}

The important agreement, which can be mentioned, is the General Agreement on Tariffs and Trade (GATT), created in 1948. It conducted the rules for the International trade and regulating trade flows. In addition, the World Trade Organization (WTO), which was created in 1995 after signing of the Marrakesh Agreement, is a set of global rules and guidelines of trade between nations, a big international food control system involving applications of standards and food safety requirements. It plays a significant role in foreign trade, provides support to food importers and exporters, controls the quality and safety of food products, and helps with finding acceptable solutions when the dispute between members of WTO appears.⁹

Apart of this all, it is vital to note that the global food trade is hold by the ten major highly powerful food companies, which control almost everything on the food market all over the world. These companies produce and sell such products as ‘Tropicana’ and ‘Sprite’, well-known sweets (‘Kit-Kat’, ‘Milka’, ‘Toblerone’, ‘Snickers’), various feeds for our pets (‘Whiskas’ and ‘Royal Canin’) and there are a lot of examples to mention more. The names of these multinational corporations almost everybody knows. They are ‘Kraft Foods’, ‘Coca-Cola’, ‘PepsiCo’, ‘Mars’, ‘Nestle’, ‘General Mills’, ‘Unilever’, ‘Kellogg’s’, ‘Danone’ and ‘Associated British Foods’. Together, everyday they got revenues of more than one billion dollars and the tens of billions a year. Moreover, not only they earn profit, spend huge sums of money on advertising, prepare eatable and healthful goods for people

⁷ Hungerexplained.org, (2015). *Food and agriculture issues: International trade*. [online] Available at:<http://www.hungerexplained.org/Hungerexplained/International_trade.html>

⁸ Economywatch.com, (2015). *Food Industry, Food Sector, Food Trade | Economy Watch*. [online] Available at: <<http://www.economywatch.com/world-industries/food-industry.html>>

⁹ Fao.org, (2015). *Food, nutrition and agriculture 21 International food trade: food quality and safety considerations*. [online] Available at: <<http://www.fao.org/docrep/W9474T/w9474t02.htm>>

and distribute it all over the world, but also they provide with the work for the millions of people who are employees of those corporations.¹⁰

4.3. The Internet and The Internet economy

The Internet is an important thing spread all over the world, almost everybody knows what is it and how to use it and nowadays nobody cannot imagine theirs life without it. It is a well-known fact that with the help of the Internet people can communicate with each other through e-mail, social networks and blogs, search for appropriate information, read books, watch films, buy and sell products and services, play online games, do business or even get a degree at university. In a word, the Internet visibly changed peoples' habits and made theirs lives much easier.

The first thing that needs to be said is the advent of the Internet in the middle 1990s took a big influence on the way people did theirs business, the way they communicated with customers and partners, the way firms operated. One must admit that the Internet opened new era called 'New economy' with unlimited opportunities, challenges and became the crucial implement absolutely changed the rules of trading.

Nowadays customers do not even notice that the Internet economy takes visibly influence on theirs everyday life and habits. They just open the webpage, choose what they want and order it via the Internet and next day they get it delivered to theirs doors. The simple definition of the Internet economy is the economy based on digital technologies including E-business and E-commerce. It includes a broad chain of companies and corporations, which do the business and make transactions through the electronic networks. In addition, the Internet opened up the opportunities of exchanging goods and services around the world without any restrictions in distance and time. Consequently, it played a key role in encouraging and development of 'boundless' organizations. Some of these organizations have both physical stores and e-shops; some of them have only online stores. Moreover,

¹⁰ The Huffington Post, (2015). *These 10 Companies Control The World's Food*. [online] Available at: <http://www.huffingtonpost.com/2014/08/17/companies-control-food_n_5684782.html>

most of online shops are available now on mobile phones or tablets, you just can download the application of a store and you will have access to it anywhere in the world.

The merger of both words as ‘internet’ and ‘economy’ gave a birth to developing global trade to the better, making the market more dynamic and complex, creating new structures such as virtual or network organizations. Companies have more freedom, flexibility and competitive ability to sell goods and services speedily and in a good quality. Apart from this, the Internet economy changed the traditional model of mass production made it more flexible and customized and made it more possible to adapt in new market conditions. In the ‘Old Economy’, the competition was only national, however in the ‘New Economy’ it became international and global. Furthermore, it opened customers’ eyes to the new world of miscellaneous and unknown products they have never seen or tried before and theirs tastes have changed.¹¹

The table below describes the main differences between the ‘old economy’ and ‘new economy’ taking in account various factors such as economy, business and consumers.

Table 1. ‘Key differences between the old and new economy’¹²

Issues	Old economy	New economy
Economy factors		
Markets	Stable	Dynamic and complex
Competition	National	International and global
Structure	Manufacturing	Service
Value driver	Physical capital	Human capital
Business factors		
Organization	Hierarchy	Network or virtual
Production	Mass	Flexible, customized
Growth driver	Capital and labour	Innovation and knowledge
Technology driver	Machines	Digital and electronic
Competitive advantage	Low cost/high production	Innovation, speed, quality
Relationships	Independent	Collaborative
Customer factors		

¹¹ Shelly, G. and Campbell, J. (2012). *Discovering the Internet*.

¹² Combe, C. (2006). *Introduction to e-business*.

Tastes	Stable	Dynamic, segmented
Skills	Specialized	Multiple and flexible
Educational needs	Trade oriented	Lifelong learning
Workplace relations	Confrontational	Collaborative
Nature of employment	Stable	Insecure, opportunistic

Source: (Combe, 2006) '*Introduction to e-business Management and strategy*'

Last but not least, according to the framework of the Internet economy, companies that are operating in this e-business structure are divided into four layers.

- **Internet Infrastructure layer:** This layer consists of companies, which provide software and hardware for World Wide Web and Internet. Both software and hardware may include PCs, network media and networking hardware or software. For instance, one of the companies providing it all is IBM.
- **Internet Applications Infrastructure layer:** This layer consists of companies, which provide important software to making transactions on the World Wide Web possible. Search engines, web development software and web-enabled databases are very good examples of this software. For instance, companies providing this specific type of software are Adobe, Oracle and Microsoft.
- **Internet Intermediaries layer:** This layer consists of such companies, which mediate between e-commerce buyers and sellers and provide miscellaneous web content. For example, these companies are Google, Yahoo and Seznam.
- **Internet commerce layer:** This particular layer consists of such companies, which sell goods and services directly to consumers via Internet. Examples of such companies are Ebay.com, Amazon.com and Alza.cz.

4.4. E-business

Business can be explained as a set of activities, which are directly organized to make profit for a firm, to produce and sell goods and services to satisfy consumer's needs. It follows that the term 'e-business' means almost the same but with a small correction. E-business is a set of activities, which are directly organized to make profit and to produce and sell goods and services to satisfy consumer's needs using all the possibilities that are available on the Internet.

Sometimes people say ‘e-commerce’ instead of ‘e-business’ thinking that these two definitions have absolutely no difference, but it is not really the truth. It is important to note that E-business refers to all business activities happened on the Internet in different organizations and industries, it also include such activities as logistics, supply chain management, payments and distribution. In contrast, e-commerce is an important branch of e-business that is responsible for buying, marketing, servicing and selling goods to customers and business partners online.

In the early nineties the rapid increase in usage of computers with access to the Internet. In the period between 1993 and 1996 years the number of computer users with the access to the Internet rose from zero to 10 millions. Moreover, in 2004 the amount of users was approximately half a billion. In addition to this, the number of websites appearing on the Web also has been increasing exponentially after the official release of the Internet till now. All these aspects became a crucial and huge step in the development of the World Wide Web and in changing the business environment. It has also presented the opportunity to a vast amount of companies to connect their traditional business with the Internet and to become successful in the future.

Let us consider what the main advantages firms and consumers gain of using the Internet in e-business sector. Firstly, some of the benefits are the ease of access and ease of use both for firms and customers. There is no need to pay much money to entry this kind of business, to have a full staff and it is not so expensive to use the Internet, it is the kind of entertainment, which is available for almost everyone in the World. What is more, the firms have an access to wider market, an improved logistics, improved customer knowledge, potential economies of scale and marketing economies. There are many advantages for customers as well. For instance, it is an unlimited access to market information; it is a convenience of using the Internet and finding whatever you want wherever you are at any time.¹³

¹³ Canzer, B. (2003). *E-business*.

4.4.1. Forms of e-business organizations

It is a well-known fact that all e-business organizations can be divided in various forms, which exist in real life. The following table shows some of these common forms.

Table 2. ‘Common forms of E-business’¹⁴

Brick-and-Mortar Business	Old-economy business that perform most of its business off-line. They sell physical products using physical delivery agents.
Click-and-Mortar Business	Organizations that conduct some of their business activities online but do their primary business in the physical world.
Virtual Business (Pure-Play Business)	Organizations that conduct their business activities solely online.
Electronic market (E-marketplace)	An online electronic market where buyers and sellers meet to exchange goods, services, money, or information.

Source: (Manzoor, 2010) ‘*E-commerce: An Introduction*’

- **Brick-and-Mortar Business:** It is a traditional type of business that deals with its customers face to face in a physical store, which is owned and rented by the particular business. The goods offered by these stores are mostly tangible and possible to check before buying them. To promote the goods, the businesses use paper catalogs and word-of-mouth publicity that is slow and limited. In this kind of business production is mass production. In addition, a brick-and-mortar business requires a high startup capital. For example, it could be any of the grocery stores.
- **Click-and-mortar Business:** It is not a traditional type of business. It can deal with its customers either in physical store or via Internet shop. Customers have an access to the inventory on the Internet page as well as in the physical store and they are able to purchase goods with the help of online store and if the customer is not satisfied with purchased item, it will be returned back to the physical store without any problems. The

¹⁴ Manzoor, A. (2010). *E-commerce*.

main advantages of the click-and-mortar business are that they could be able to make their brand name famous and to set up the list of regular customers. Moreover, it is less expensive for them to create an own website. Good examples of click-and-mortar business are ‘Barnes&Noble’ and ‘walmart.com’.

- **Virtual Business (Pure-Play Business):** It is the type of business, which is based on the Internet and has only an online store. These businesses use electronic catalogs for the promotion of their products. Virtual business requires a small amount of startup capital. Moreover, it is really a convenience to do business from home. On the other hand, there are some challenges faced on the way to success. For instance, 24 hours a day and 7 days a week the business must be controlled and sometimes it is difficult to manage with it; and there is no possibility to examine products before purchasing it, customer has to rely on on-screen information. ‘Ebay.com’ and ‘Amazon.com’ are good examples of virtual business.
- **Electronic market (E-marketplace):** Classification of e-marketplaces depends on the basis of their ownership. There are types of e-marketplaces: public e-marketplace, private e-marketplace, independent e-marketplace and consortia e-marketplace.
 - Public e-marketplace: These are business-to-business markets including markets with many sellers and buyers. They can be owned by the company, which may be either the seller or the buyer. The government usually regulates them. For example, it is a stock exchange.
 - Private e-marketplace: Usually, it is owned by a single company and set up to reach the main suppliers or customers. The main goal of private e-marketplace is to improve efficiency of supply chain. ‘Walmart.com’ is a good example for this type of e-marketplace.
 - Independent e-marketplace: Industry outsiders usually own this type of e-marketplace. The independent sellers try to use particular techniques to attract new customers and to make them interested for purchasing the goods. Independent e-marketplaces such as ‘Partminer’ and ‘Chemdex’ are good examples.
 - Consortia e-marketplace: It is always organized by a group of key market participants, typically sellers or buyers, saying in another words- by industry leaders. It is the way of merging between different companies to create the bigger

one. The automotive industry such as ‘General Motors’ is a good example of Consortia e-marketplace.¹⁵

4.4.2. Fundamental models of e-business

A model of e-business involves a particular number of various methods and ways of doing business, with the help of them it is easier to understand the fundamental structure of e-business and its internal environment, how firms in e-business earn profit and interact with theirs customers and suppliers and what kind of customers they have. In other words, it is a traditional business model, which was modernized to make organizations more successful, to understand theirs customers better, to achieve all the goals and to help them to find theirs own places in the new era of the Internet economy.

Table 3. ‘A Framework for e-business markets’¹⁶

	Government	Business	Consumer
Government	G2G (Co-ordination)	G2B (Information)	G2C (Information)
Business	B2G (Procurement)	B2B (E-business)	B2C (E-commerce)
Consumer	C2G (Tax compliance)	C2B (Compare price)	C2C (Auctions)

Source: (Combe, 2006) *‘Introduction to e-business Management and strategy’*

The table above shows a framework for e-business markets. In general, there are three main fundamental models of e-business: business-to-business model, business-to-consumer model and consumer-to-consumer model.

- **Business-to-business model:** The model, which is used by companies for doing business with each other. Almost every e-business model is connected with different branches of management (payment, supplier, inventory and distribution). B2B: e-auctions, e-procurement, e-distribution, third-party marketplaces, affiliates. Some examples of B2B model are IBM, HP and Dell.
- **Business-to-consumer model:** This type of model is used by organizations to sell goods and services directly to consumers without any intermediaries via the

¹⁵ Combe, C. (2006). *Introduction to e-business*

¹⁶ Combe, C. (2006). *Introduction to e-business*

Internet. B2C: e-shops, e-auctions, e-malls, manufacturer model, classifieds. ‘Ebay’ and ‘Amazon’ are examples of this model.

- **Consumer-to-consumer model:** To interact with each other in order to buy, sell or exchange goods or services, individual consumers use this model. C2C: virtual communities, e-auctions. ‘Napster’, ‘Craigslist.com’ and ‘Synthzone.com’ are good examples of such model. In addition, consumers for exchanging theirs goods also can use ‘Ebay.com’.

4.5. E-business in Russia: perspectives of development and growth

Russian e-business has rapidly grown in recent years. Nowadays, the main online sales are concentrated in capital cities such as Moscow (40% of domestic market share) and Saint Petersburg (9% of domestic market share). The significant reason is the implementation of the Internet technologies primarily to the big cities because of better and more developed infrastructure and higher opportunities for the firms to be established on domestic and later on global market. Others Russian’s regions are trying to catch up on all lost positions.

Russia takes the ninth position in the global e-commerce turnover (EUR 15,5 billion in 2013, after USA, China, UK and Japan); Russia has the highest quantity of the Internet users in Europe (it is about 70 million of people using the Internet per month). Approximately 30 million of Russian people purchased something via online stores and 10 million of them purchased 38 million of parcels in foreign stores in 2013. In addition, annually Russian online retail grows at least by 25%.

According to statistics, the main group of Russian online shoppers consists of females (64%), 30-39 years old. However, males tend to spend more money online, because they buy more expensive goods as mobile phones, computers and car parts. 44 years is the average age of a common Russian online customer. To add to the point, choosing the

specific online store, Russians try to select the best one with a detailed catalog of available goods, with loyal prices, and with convenient, fast and certified payment system.¹⁷

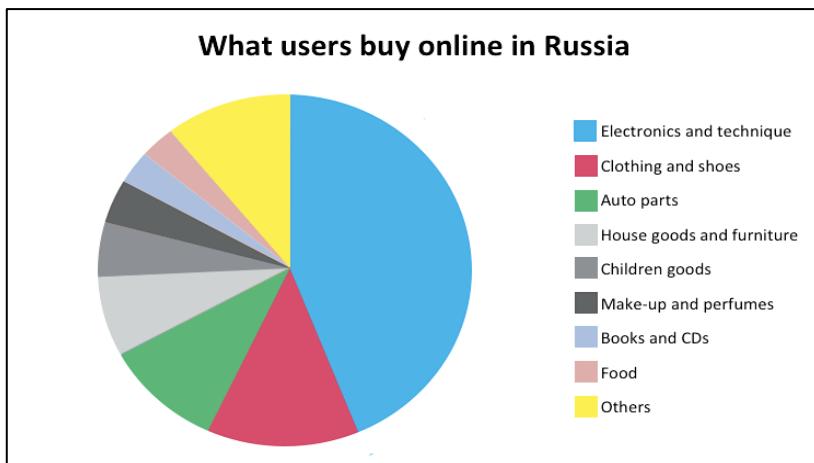
What do Russians buy online in order to save money and time when they are usually in a hurry? Due to statistical research, it is known that the most popular goods for being purchased are household appliances and electronics (turnover is 107 billion rubles in 2013), clothing and footwear (turnover is 76 billion rubles in 2013), mobile phones and car parts (turnover is 26 billion rubles in 2013), children's goods (turnover is 24 billion rubles in 2013).¹⁸

It is vital to note that there are three main market players in Russia and the Runet. The first one is 'Ozon' (various products). It was created in 1998 and now it is the e-commerce leader within the Russian Internet. It can provide the customers with almost every kind of good: books, software, toys, air tickets and clothing. The second one is 'Lamoda' (fashions brands). It is one of the biggest online shops in fashion industry. The customers are able to choose the clothes and accessories in a big online catalog containing for about 900 brand items. In addition, 'Lamoda' can offer a fast and cheap delivery. The last one is 'Sotmarket' (electronic consumer goods). It was launched in 2005 and now it has approximately 500 thousand of unique users per day. The online store can offer various types of household goods, big amount of electronic goods and also car parts and present ideas. Last but not least, there are some more successful e-commerce players such as 'Wildberries.ru', 'Utkonos.ru', 'Svyaznoy.ru' in Russia and 'Amazon.com', 'Otto', 'Quelle', 'Ebay.com' worldwide.

¹⁷ Northerndimension.info, (2015). *Northern Dimension Institute - Article: E-Commerce in Russia: Rapid Growth (Temporarily?) Challenged*. [online] Available at: <<http://www.northerndimension.info/northern-dimension/287-e-commerce-in-russia-rapid-growth-temporarily-challenged>>

¹⁸ Oshkalo, A. (2014). *All you need to know about Russian e-commerce in 2014*. [online] Available at: <<http://www.russiansearchtips.com/2014/08/need-know-russian-e-commerce-2014/>>

Figure 1. ‘E-Commerce in Russia 2013’¹⁹



Source: (Digitalintheround, 2015)

To sum it up, e-business in Russia has a big potential to grow and develop in the nearest future and by solving some problems concerning with ‘*logistic and the low credibility of online payment methods within the regions*’²⁰, it will have incredible perspectives in e-business and will undoubtedly catch up such the global leaders as China, Germany or USA as soon as possible.²¹

4.6. Business plan

Business plan is a crucial first step, which is an important foundation for both a new start-up business project and an existing company. It is not simply a paper of a brief and quick description what an organization is going to do to make its project successful, it is a focused and time-consuming activity, which requires a lot of time and energy, brainstorming skills, thinking about the concept of the business, future opportunities and possible struggles and obstacles encountering on the way to achieving project’s goals.

¹⁹ Digitalintheround.com, (2015). *Ecommerce in Russia: trends, problems and winning local players | Digital in the round*. [online] Available at: <<http://www.digitalintheround.com/ecommerce-russia-trends-players/>>

²⁰ Digitalintheround.com, (2015). *Ecommerce in Russia: trends, problems and winning local players | Digital in the round*. [online] Available at: <<http://www.digitalintheround.com/ecommerce-russia-trends-players/>>

²¹ Digitalintheround.com, (2015). *Ecommerce in Russia: trends, problems and winning local players | Digital in the round*. [online] Available at: <<http://www.digitalintheround.com/ecommerce-russia-trends-players/>>

Well-prepared business plan is a strong tool to get more chances of obtaining valuable support from investors or banks. Consequently it must be done with following all the requirements and rules such as providing readers (who is interested in the company) with clear and important information: explanation of business concept; defining the main goals and long-term plans, financial and cash flow expectations, competitive and target group analysis. First thing, which needs to be done is to answer a question: who is going to read the business plan? Different persons will look for different information. For example, if the plan is written within a big company, then the board directors will make decisions of investment; or if you are an individual entrepreneur, then your business plan will be focusing on providing special information for particular lenders, investors or business partners.

Before starting to write business plan, an entrepreneur must be convinced that he made a comprehensive research and he has all information about the goods and services he is going to sell and to produce and theirs production costs, the possible competitors, the legal structure chosen for the business, the target group of customers, the appropriate place for the future office or store to rent, the necessary amount of start-up capital and approximate amount of initial expenses.²² Business plan structure is almost the same for everybody. However, not all the companies follow only one particular structure. They can add and combine some unique elements, which are able to reflect theirs own ways of doing business and to differ them from another companies. Nonetheless, there exists the common structure including main points, which each business plan should have.

Typical structure for a business plan:

1. *Cover page*: The cover page must contain the name of the document, the name of the company, the authors of this plan, the date and so on.
2. *Introduction*: This part should contain a brief and basic description of business, its history and its structure.
3. *Environmental analysis*: This part analyses all internal and external forces, which can impact on business environment and planning.

²² Harvard Business School Press (2007), 'Creating a business plan: expert solutions to everyday challenges'

4. *Marketing*: In this part an entrepreneur have to analyse the industry and the type of market he is going to work in, the main competitors and what are the target customers and so on.
5. *Operations plan*: This section describes the ways of producing and delivering goods, the logistics, the facilities and equipment.
6. *Personnel plan*: This plan describes the staff that will be needed to achieve the main goals of a company.
7. *Financial plan*: This plan provides information about all financial flows in a company: start-up costs, revenues, expenses, cash flow forecasting and balance sheet planning.
8. *Executive summary*: It is usually written last and should contain the main points of the entire plan such as the business opportunities, the market environment, the keys to success, the financial potential, the management team and so on.
9. *Conclusion*: This part can include suggestions and recommendations by individuals within the plan and should bring the plan to a close.^{23 24}

²³ Canzer, B. (2003), 'E-Business: Strategic Thinking and Practice', p.28

²⁴ Inc.com, (2015). *How to Write a Summary Business Plan*. [online] Available at: <<http://www.inc.com/guides/2010/08/how-to-write-a-summary-business-plan.html>>

5. Practical part

The practical part of the thesis shows the own experience of the researcher with working-out the unique business plan for e-business start-up project in Russia connected with food market and import to the Czech Republic. In addition, this business plan will include such parts as market research with detailed analysis of target customers and competitors, marketing plan with using ‘SWOT’, ‘PEST’ and ‘Marketing Mix’ tools to evaluate some important factors and forces affected on this type of e-business, operations plan, personnel plan, and so forth.

5.1. Business plan

This particular business plan will highlight the main concepts, goals and long-term plans of start-up e-business project on Russian food market. The researcher will try to establish an organization with a good economic and business environment, to hire qualified and experienced staff, to find reliable suppliers and manufacturers, and as a consequence, to import the food to the Czech Republic from Russia and sell it within the group of target customers, who are mostly the Russians, Byelorussians and Ukrainians living in the Czech Republic for a long time and missing theirs traditional cuisine, with using online store, which will be functioning in the vastness of the Czech Internet.

5.1.1. Brief description of the organization

The company will be a new Internet shop selling Russian delicatessens manufactured by well-known Russian organizations and imported directly to the Czech Republic. It has the only one owner and a few employees, so it will be registered as a sole trader with unlimited liability. Now the company is on the opening stage of business and has almost developed assortment of goods.

5.1.2. Objectives, mission and keys to success

Objectives for the first few years:

1. To establish a new successful start-up business project with main goal to attract more potential customers and to satisfy theirs needs and expectations;
2. To survive in this competitive business and to become one of the leaders of Russian food sellers not only in Prague but also in the whole Czech Republic;
3. To increase the sales and profit by growing the base of new customers with the help of creating a good advertising campaign;
4. To buy premises for physical grocery store somewhere in the centre of Prague so it can be available for everybody, and then if this store settles down the company will establish another grocery stores for customers living far from the centre, and finally the company will expand its boundaries with organizing physical stores in Brno, Ostrava and Olomouc.

Mission

The company's mission is to provide its customers with only highest quality and cheap goods and to make its customers happy with the service they get from purchasing online to home delivery.

Keys to success

- To create efficient, easy-to-use and entertaining website (online store);
- To base support hotline, which will work 24 hours and 7 days a week, for clients;
- Strong and intensive marketing campaign;
- Rich variety of good quality and tasty delicatessens produced by well-known Russian manufactures;
- Low prices, high quality and perfect service.

5.1.3. Defining the list of selling goods

The e-shop will sell a big variety of traditional Russian delicatessens of a good quality. These products will be imported directly to the Czech Republic from Russia and will be stored in special equipped premises, which the company will rent in Prague.

The list includes such kind of goods as:

1. Canned food: condensed milk, bully beef and canned fish;
2. Marinated food and pickles: tomatoes, cucumbers, cabbage, mushrooms and carrot;
3. Cereals: buckwheat, wheat grain, barley grain, pearl barley and manna-croup;
4. Caviar: salmon caviar, cod caviar, capelin roe;
5. Dumplings: with potato and mushrooms, with cottage cheese, with cabbage, with cherry and with meat;
6. Confectionery: zephyr, halva, jujube, chocolate, honey-cakes, cookies, sweets, crackers, honey, jams with different tastes;
7. Fish products: different types of herring, dried fish and bloater.

The initial list is not completely full. The company is just on the way to start doing business and when it achieves at least few fundamental goals and stands firmly on its feet, the list of selling products will be enlarged.

5.1.4. Description of key persons (personnel plan)

Nowadays, it is difficult to find and hire right and needed people, so it is a good and crucial idea to draw up a detailed personnel plan to analyse what people will you need to achieve all your goals and to have friendly and pleasant atmosphere during doing the business. Here are the keys persons will be needed during the first stage of company formation. Then with the gradual growth of the company, the amount of persons hired will raise.

Director: The leading person, who based this company. He is fully responsible for all accepted decisions, for entire results of a company's performance, for conclusion of contracts with suppliers and manufacturers, for organizing, controlling and coordinating

work of the company, for strategically planning of company's further development and for realization of these plans in the future.

Chief Accountant: This important person in a company will be responsible for counting payroll of employees, for forming taxing and financial reports, for conducting primary accounting, for controlling company's cash flow and he must do all these things complying with all rules and prescriptions of the Czech legislation.

Sales Manager: The sales manager will be responsible for controlling the process of sales, for finding and attracting new potential clients, for increasing sales in the online store, for preparing monthly sales plan, and so on.

Chief Marketer: The chief marketer's responsibilities will be to work out the powerful and effective strategy for goods promotion among customer's layers, to analyse demand for specific products and customer's taste, to keep in touch with main PR-agencies and advertising agencies.

Logistician: The logistician will be responsible for organization of transportation goods from manufacturers in Russia to the primary seller in Czech Republic, for inventory management, for customs registration of goods, and so forth.

Website Manager/Web designer/Web administrator: All these persons will try to keep the On-line store working all day and night, always accessible, attractive to customers, convenient and easy to use, providing with the full and detailed list of goods.

Warehouse workers: Keeping the premises for goods clean and keeping all equipment in working conditions are the main responsibilities of the warehouse workers.

Office Manager: The main responsibilities of the office manager are to handle telephone calls and to send notification e-mails to clients, to deal with correspondence, complaints and queries, to coordinate schedules and appointments with business partners.

Delivery crew: They will be responsible for delivering ordered goods from warehouse directly to specified address on time.

5.2. Operations plan

The operations plan is usually short-term plan made once a year and written for achieving tactical objectives and goals stated by a company. It also responds for workflow, for logistics, for equipment and facilities, for processes are flowing in management production

systems, for suppliers and manufacturers are needed. The researcher will not embrace the whole plan and will define only a few sections of it.

Suppliers

However the company is too young, it will try to conclude the contracts with some Russian well-known manufacturers and to support friendly relationships with them. The initial list of main suppliers is quiet short, because for the first time, the rich assortment of goods, they will produce and transport for the company's business, will be enough. In addition, it is believed that with the company's growth, some more well known Russian organizations will join this list. For instance, the main suppliers are:

- The company named 'Mistral' Trading'. It is the producer of high quality grains (rice, buckwheat, millet, oat) and unrefined sugar.
- The company named 'The Baltic Coast'. In the list of goods they manufacture, we can find various types of fish products (herring and bloater).
- The company named 'Cherkizovo Group'. They are engaged in production of different types of meat goods (sausages, melted meat, fresh meat and so forth).
- The company named 'Bolshevik'. They are the leading producer and distributor of confectionery goods (cookies, waffles and cakes).
- The company named 'The Uncle Vanya'. It is the main Russian producer of canned vegetables.
- The company named 'U Palycha'. Nowadays, they manufacture over 300 kinds of products (dumplings, pancakes, pizza, cakes, honey-cakes, sweets and so on).

Logistics

The goods will be produced in Russia, and then they will be collected by trucks from the manufacturers and transported directly to the Czech Republic through the Byelorussian-Polish customs control. At first time, delivery will be made only by rented trucks. In addition, for all these steps in organization of transportation goods from manufacturers in Russia to the storage in Prague the specific person called logistician will be responsible.

Working hours

In this section it is important to set up the office hours, the hours of deliveries and the working hours of the online store.

The working hours of the online store (when clients would like to make a purchase):
24 hours a day and 7 days a week.

The office hours (when clients do not have to hesitate to call with questions, complaints and suggestions). During the company's development, the office hours will be prolonged.
Monday-Saturday: 8 a.m.- 22 p.m.
Sunday: 10 a.m. – 21 p.m.

The delivery hours (when clients will be able to get theirs goods):
Monday-Sunday: 8 a.m. – 22 p.m.

Communication channels

Customers will be able to contact with the company's office through such communication channels as telephone, e-mail, fax and post box. All information and contacts are written on the website.

Payment types accepted

Customers are offered to pay for the goods by cash (paying directly to deliveryman) and by credit or debit cards (the online store is provided with modern online payment system).

5.3. Marketing plan

Marketing plan is one of the significant parts of a business plan.

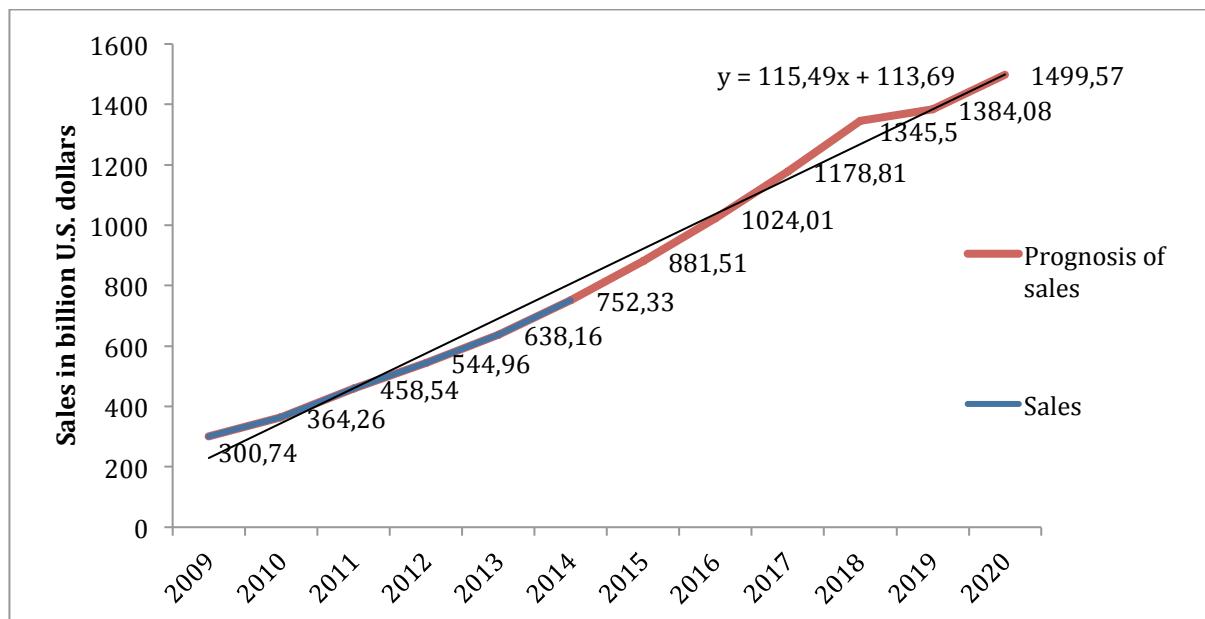
'The written document that describes your advertising and marketing efforts for the coming year; it includes a statement of the marketing situation, a discussion of target

*markets and company positioning and a description of the marketing mix you intend to use to reach your marketing goals.*²⁵ (Entrepreneur, 2015)

5.3.1. Market research

On the world market food takes the first place and certainly it is the most-wanted good within all layers and patterns of consumers all over the world. Economic growth, growth of per capita income, increase in population, rapid urbanization are the factors, which help to increase further growth in the global food market. According to ‘Datamonitor’, the global food market is expected to reach an annual growth rate of 4.4% between 2012 and 2017, and will also reach 5.3 trillion dollars by the end of this period.²⁶ (Source: <http://pegasusagritech.com>) Nowadays, with rapid development of new technologies and the Internet, consumers are able to buy food with the help of on-line stores. That is why, e-commerce presents itself as one of the best and most convenient ways of doing business.

Figure 2. ‘Global retail e-commerce sales volume from 2009 to 2020’



Source: (Statista, 2015; own drawing)²⁷

²⁵ Entrepreneur, (2015). *Entrepreneur - Start, run and grow your business*. [Online] Available at: <<http://www.entrepreneur.com>>

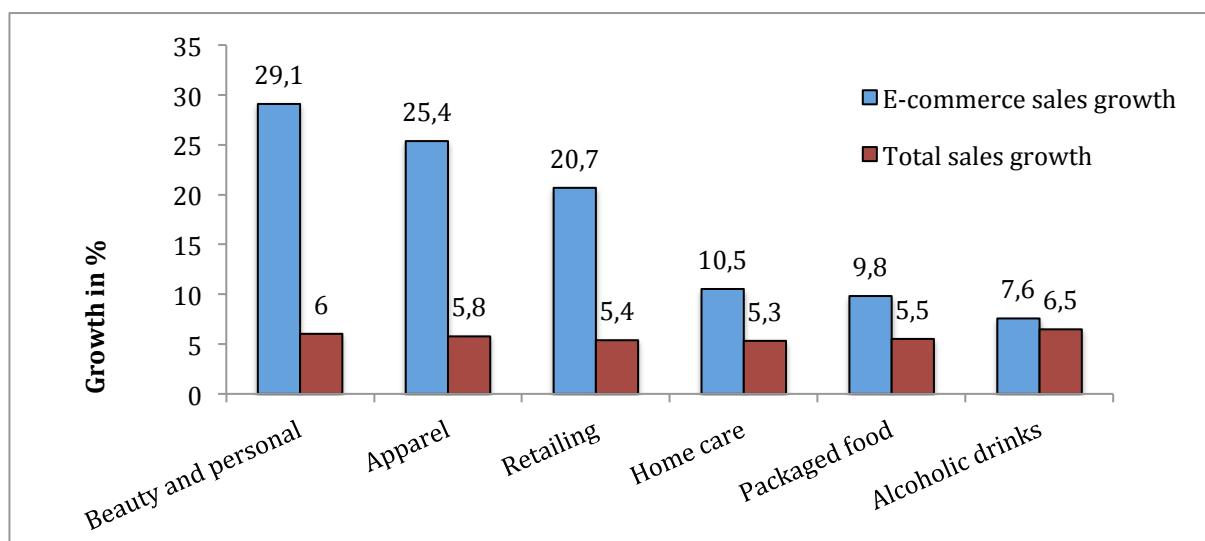
²⁶ Pegasusagritech.com, (2015). *Global Food Market | Pegasus Agritech*. [Online] Available at: <<http://pegasusagritech.com/hydroponics/global-food-market/>>

²⁷ Statista, (2015). *Statista - The Statistics Portal*. [online] Available at: <<http://Statista.com>>

The ‘Figure 2’ above presents data showing global retail e-commerce sales volume from 2009 to 2014 and the researcher’s prognosis of further sales from 2015 to 2020. The line graph clearly shows us the extremely positive growth of the sales volume from 2009 till now. It can be preconditioned by the serious implementation of the Internet to increase the number of its consumers starting from 2000th till nowadays and by the significant development of E-business worldwide. The number of e-businessmen has been growing rapidly because of it is easy, cheap and fast to start it up.

By the researcher’s prognosis it may be concluded from the figure above that the global retail sales volume will continue an upward trend with some fluctuations, because the new technologies continue to make the meaningful progress in developing the new original and convenient ways of doing business via the Internet and the much more opportunities for e-customers will be opened in the future.

Figure 3.‘E-commerce sales growth compared to total sales growth worldwide in 2013’



Source: (Statista, 2015; own drawing)²⁸

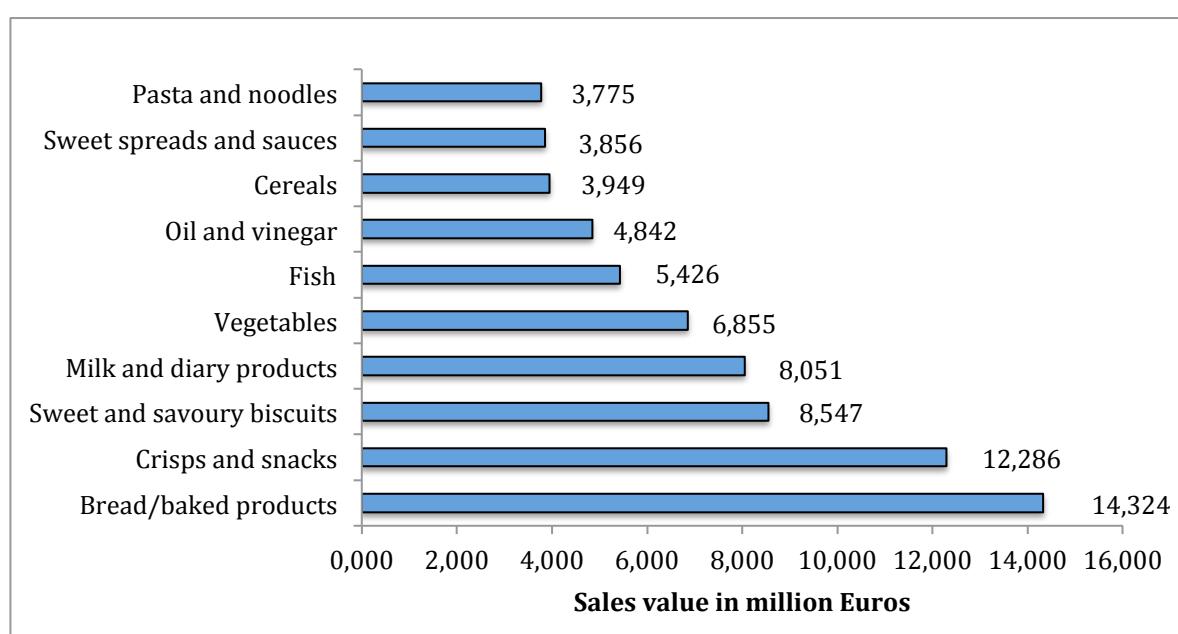
The ‘Figure 3’ above is divided into a few parts. It deals with comparing the e-commerce sales growth and the total sales growth worldwide by six groups of consumer goods in 2013. As it may be seen from the figure, ‘the e-commerce sales’ bar chart has significantly

²⁸ Statista, (2015). *Statista - The Statistics Portal*. [online] Available at: <<http://Statista.com>>

higher indicators than ‘total sales’ has, especially in such categories like ‘Beauty and personal’, ‘Apparel’ and ‘Retailing’ the indicators have expressively big difference. In other categories, the indicators are almost on the same level. All these can be preconditioned by the fact that people prefer to buy food and alcoholic drinks in supermarkets in real life, to check condition and expiration date of it, most of them rely on themselves. But no matter that the indicators are low in food sales, the e-commerce sales of foods are higher than total food sales. It is definitely good news for individuals who want to start e-business in food sector.

In addition, as it is evident from the figure, ‘Beauty and personal’ has the highest indicators in e-commerce sales and ‘Alcohol drinks’ have the lowest indicators, while in total sales ‘Alcohol drinks’ take the first place and ‘Beauty and personal’ takes only the second. ‘Packaged food’ stands between ‘Apparel’ and ‘Retailing’ in total sales.

Figure 4. ‘Sales value of leading ambient food products in selected European countries in 2013/14’

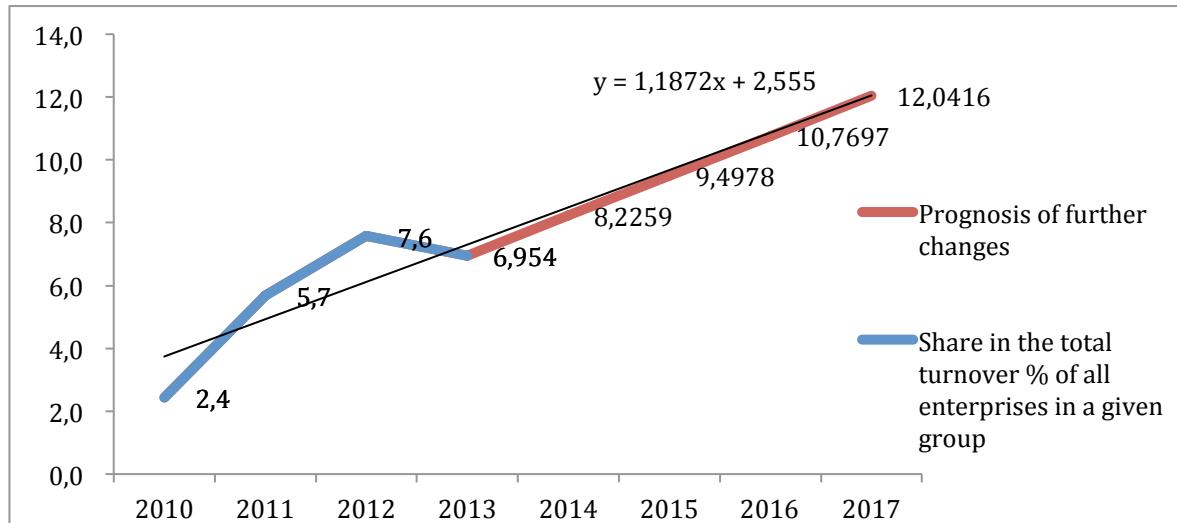


Source: (Statista, 2015; own drawing)²⁹

²⁹ Statista, (2015). *Statista - The Statistics Portal*. [online] Available at: <<http://Statista.com>>

The ‘Figure 4’ above shows sales value of leading ambient food products in selected European countries in 2013-2014. As it can be seen, the main products with the highest value of sales in 2013-2014 are bread/baked products and crisps and snacks. It can be preconditioned by deep-rooted habits of people to eat bread and baked products for centuries and of course it will always be on the top of leading products in the world because of its low price and its nutritious features. Then the list goes on with milk and diary products and various kinds of biscuits, they have almost the same value of sales, diary products have quiet a low price category and availability to buy it everywhere and of course it is very popular because it contains a rich variety of useful vitamins and microelements. Then the products with higher price on market continue the list: vegetables, fish and oil and vinegar. For instance, in the Czech Republic there is no access to the sea, so seafood will cost a little bit higher here than in Italy or France. Finally, such products as cereals, sweet spreads and sauces, and pasta and noodles have the lowest value of sales.

Figure 5.‘Value of e-sales of food and beverage service activity in the Czech Republic’



Source: own drawing.

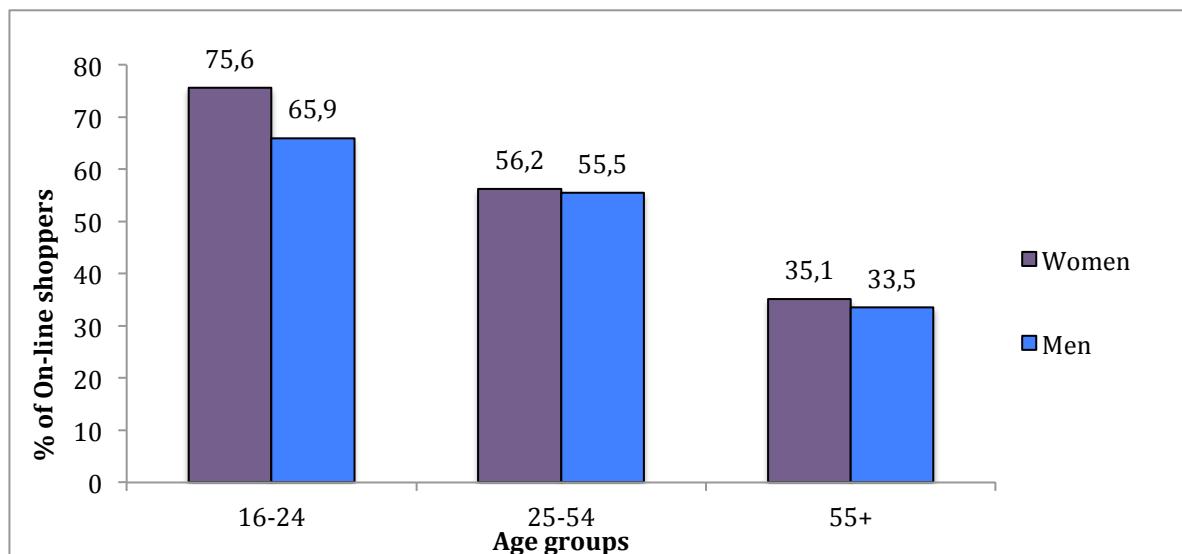
As it may be seen from the ‘Figure 5’ above, the value of e-sales of food and beverages in the Czech Republic was near to the ground in 2010 year, and then it gradually started to show an upward trend till 2012 year. But after the dropping by 0,6 percent in 2013 year,

due to researcher's prognosis till 2017 year of further changes, the value of e-sales of food and beverages may start to pick up without any fluctuations.

5.3.2. Target customer analysis

The main customers of Russian traditional food products are obviously Russian people and the customer layer can include Ukrainians and Byelorussians, because the cuisines of all these countries are a bit similar in some aspects. However, to broaden the base of clients, the company will also try to attract consumers of foreign cultures and from another countries, who live in the Czech Republic, to taste Russian delicatessens. The goods will have attractive and low price, so everybody without exception (with any level of income) will be able to purchase them via online store. In addition, one more target group of the company will be the users of the Internet and who often buy products with the help of e-shops. On the first stage of development, the company's aim will be to sell goods in Prague and nearest Prague districts, and then with the growth of the company, the customer base will broaden to another Czech cities.

Figure 6. ‘% Of On-line shoppers in a given age group in the Czech Republic’



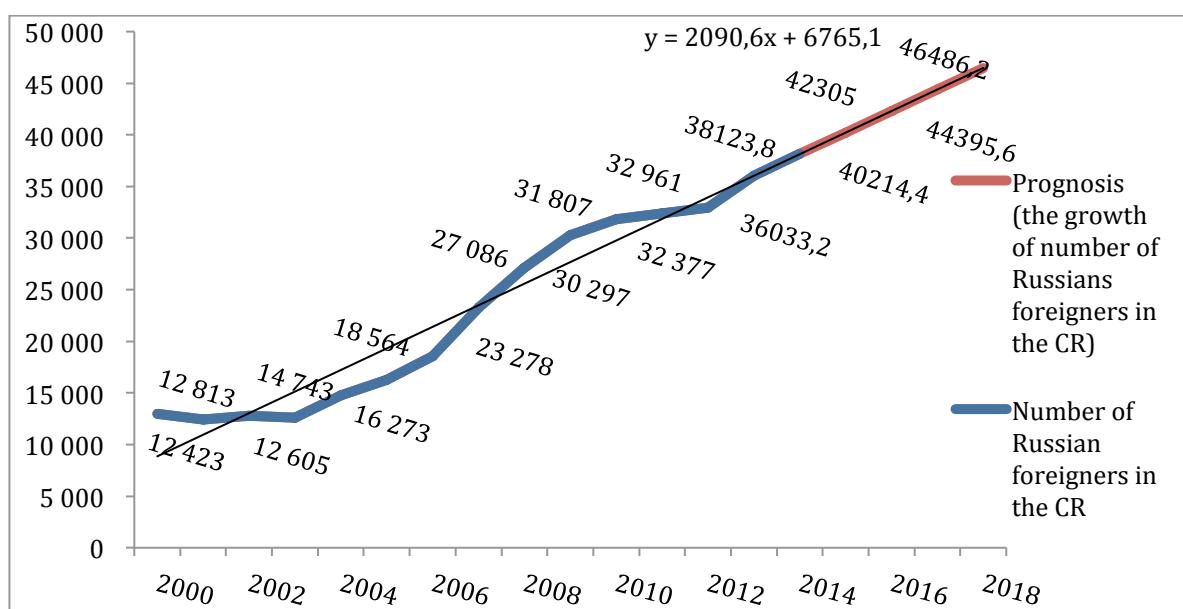
Source: own drawing.

As it can be seen from the ‘Figure ‘6’ above, it is obviously to say that people aged 16 to 24 years old represent the company’s target customers in the Czech Republic. Then the age

group of 25-54 years old people has the middle indicators. Finally, most people of 55+ years old prefer to buy goods in physical stores. Furthermore, Czech women are more prone to do shopping via the Internet than men.

In addition, due to the ‘Figure 7’ below, it can be said that the number of Russian foreigners immigrated to the Czech Republic steadily grows. The number of foreigners in 2013 is three times as much as the number of foreigners in 2001. By the researcher’s prognosis, the figure tends to show an upward trend till 2018 (the figure will probably reach approximate number of 47 thousand of foreigners in the Czech Republic) and maybe further it will show us the progressive numbers. It is obvious that the number of potential target customers is constantly growing each year. All these positive indicators are a good signs for the new e-business company to establish absolutely new and successful e-shop in the Czech Republic.

Figure 7. ‘Number of Russian foreigners in the Czech Republic’



Source: (Czech Statistical Office, Directorate of Alien Police; own drawing).

5.3.3. Competitor analysis

It is a well-known fact that the competition on the food market is pretty high. Let us consider the Czech market of food. It contains an unlimited variety of different grocery markets, hypermarkets, supermarkets, and of course there are so many small shops with

the most necessary goods, which are situated at each corner of a city. For example, in the Czech Republic there are lots of Vietnamese shops, where you can buy almost everything you need. Apart from this, there is a significant amount of big and middle-sized retail stores such as ‘Tesco’, ‘Albert’, ‘Globus’, ‘Billa’, ‘Lidl’ and ‘Penny’. Sometimes it is possible to find Russian delicatessens on theirs shelves and some of them can offer to buy goods via online stores.

Introducing further information, the researcher wants to say a few words about the company’s main direct competitors. For instance, it is the company called ‘Avos’ka’ (Eng. String bag). It has both online and one physical store. Also, they have a rich assortment of Russian delicatessens and they offer home delivery. The second company is ‘Swallow’ (Vlaštovka s.r.o.) based in 1999 year. It has five physical shops selling Russian delicatessens all over the Prague city and this year the company opened an online shop available for clients. One more competitor is shop called ‘Kalinka’, which has both two physical stores and online store. The next one is the company, which has only online store, called ‘Ambar’ (Eng. Granary).

It is obvious that the list of competitors is quiet long and each company has its own advantages and disadvantages. All of them have good price categories and fair conditions for customers. To compete with them will be difficult, the level of competition is very high, but it is worth trying because nobody knows what is going to happen in the future.

5.3.4. Strategic tools

These are the tools, which help the company to identify main factors and changes in business environment, to know deeper the structure of business, to analyse best ways of doing business and its further adaptation in competitive environment, to work out an applicable marketing strategy to promote the business among the target audience and business partners. There are three main tools chosen by the researcher to analyse the environment of e-business start-up project in Russian food import.

5.3.4.1. SWOT analysis

SWOT analysis is a tool usually used to know better the main Strengths and Weaknesses of a new firm, to identify Opportunities and Threats, which can be met on the way to success. Strengths and Weaknesses are internal factors affecting a firm's environment, while Opportunities and Threats are external factors.³⁰ The start-up e-business project connected with food market should have the following SWOT analysis.

Table 4. ‘SWOT analysis of e-business start-up project’

<u>STRENGTHS</u>	<ol style="list-style-type: none"> 1. The absolutely new strongly ambitious firm is entering a business. 2. We can provide our customers with fresh and of good quality food from Russia. 3. Our customers have day-and-night access to the easy-to-use online store and catalog with goods. 4. The staff is well educated, honest, responsive and always ready to solve any problem or question. 5. The prices of our goods are always cheaper and the quality is higher than prices and quality of our competitors are.
<u>WEAKNESSES</u>	<ol style="list-style-type: none"> 1. Entering a business with having low experience and knowledge. 2. There are firms have already entered this kind of business. 3. Unstable political and economical situation in Russia. 4. Difficulties with building a well-known firm in a food sector.
<u>OPPORTUNITIES</u>	<ol style="list-style-type: none"> 1. To expand broads of business and sell products not only in Czech Republic, but also worldwide. 2. To build business partnership with other well-known

³⁰ Mindtools.com, (2015). *SWOT Analysis: Discover New Opportunities, Manage and Eliminate Threats*. [online] Available at: <http://www.mindtools.com/pages/article/newTMC_05.htm>

	<p>companies.</p> <ol style="list-style-type: none"> 3. To attract foreign investors. 4. To grow firm's potential. 5. To buy own factory and produce the goods by themselves.
<u>THREATS</u>	<ol style="list-style-type: none"> 1. Because of unstable and unexpected situation in Russia nowadays, the business can be collapsed without any chances to recover. 2. Because of deep-rooted firms in this sphere of business, the project may not be able to compete. 3. Changes of customer's preferences and style of life can cause a refusal from goods of the company. 4. Appearing of new cheaper products on the market.

Source: own drawing.

5.3.4.2. PEST analysis

PEST analysis is a tool, which helps to define **Political, Economical, Socio-Cultural and Technological factors** in a business environment changing, to analyse personal or business opportunities, to avoid serious threats, and to find a way of easier and faster adaptation in a business. The following PEST analysis will show us the main forces, which can impact on further development of the start-up e-business project in Czech Republic.

The political situation of Czech Republic is quiet stable and such **political factors** as government support of new e-businesses and new technologies and support of increasing the amount of the Internet users (The Internet is in a good price category in comparison with other countries, so it is a crucial reason to further implementation it to new potential customers) can positively affect on establishing new e-business project.

'Doing Business' reform 2015:

'The Czech Republic made starting a business easier by substantially reducing the minimum capital requirement and the paid-in minimum capital requirement.' (Source: 'Doing Business' database)

'Doing Business' reform 2013:

'The Czech Republic reduced the time to export and import by allowing electronic submission of customs declarations and other documents.' (Source: 'Doing Business' database)³¹

The economy in Czech Republic is very favourable and prosperous for setting a new business up as well. The **economic factors** are connected with changing the business environment: the stable exchange rates and strong local currency affect encouragingly on imports and exports; the supporting of development of entrepreneurship by government; the current GDP Growth rate is 0.4%; attraction of strong inflows of foreign direct investment (FDI).³²

Such **socio-cultural factors** as an increasing of expatriation rate of Russian people to Czech Republic with the aim of getting degree in a local university, finding a permanent job here or setting a new business up, a tendency of growth of consumers interest to products from abroad, an increasing of purchases via Internet are undoubtedly important for making the social environment to the better and pleasant for a new start-up project.

Nowadays implementation of new technologies and significant role of the Internet in everyday life affect almost each way of doing business in the world, technology rapidly changes and companies always try to keep abreast of developments. One more **technological factor** is creation of online shopping system with ability to purchase everything on the Internet. The progress in elaboration of improved equipment for factories to produce and process goods, creation of e-shop applications for mobile phones to have an

³¹ Doing Business - Measuring Business Regulations - World Bank Group. [Online] Available at: <<http://www.doingbusiness.org/>>

³² Tradingeconomics.com, (2015). Czech Republic GDP Growth Rate | 1996-2015 | Data | Chart | Calendar. [online] Available at: <<http://www.tradingeconomics.com/czech-republic/gdp-growth>>

access to e-shop at any time and at any place, government support by investing money into development and growth of the Internet consumption can also affect the business environment.

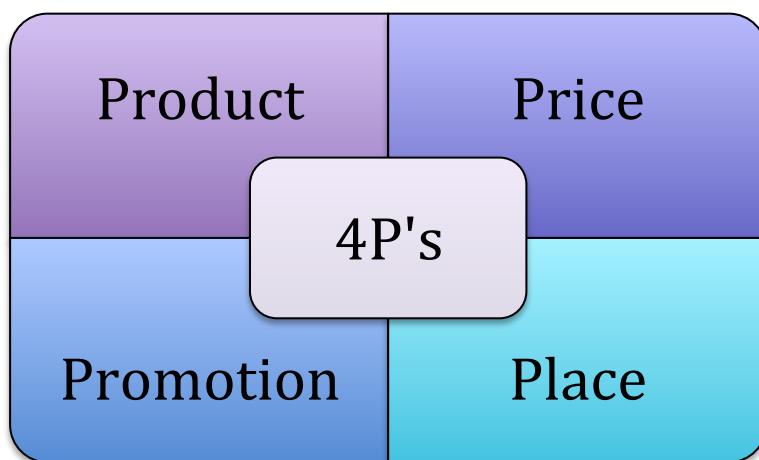
Taking the all listed and described factors into account, it can be said that Czech Republic is completely appropriate and promising country for starting a new business up, especially this particular business activity connected with food market.

5.3.4.3. Marketing Mix analysis

What is marketing? The definition that many marketers learn as they start out in the industry is: '*Putting the right product in the right place, at the right price, at the right time*'.³³

The 'Marketing Mix' is a comprehensive mix of tools and techniques used by firms for identifying and satisfying customer's needs, for affecting demand and development of particular goods produced by these firms on a market and for working out a dynamic and adequate business strategy.

Figure 8. 'Marketing Mix'



Source: own drawing.

³³ Mindtools.com, (2015). *The Marketing Mix and 4 Ps: Understanding How to Position Your Market Offering*. [online] Available at: <http://www.mindtools.com/pages/article/newSTR_94.htm>

The figure above shows the basic model of Marketing Mix and its main elements. Using this figure, the researcher will try to describe the four elements of the ‘Mix’ for the start-up e-business project.

PRODUCT

1. Traditional Russian products such as meat dumplings, marinated cucumbers and tomatoes, herring or caviar.
2. Selling these products is targeted on Russian people, who live in Czech Republic and cannot find theirs habitual traditional food of a good quality.
3. Well-known Russian suppliers and manufacturers will import these products to the CR.
4. Big variety of choices within the list of products.

PRICE

1. Seasonal discounts.
2. ‘Purchase on a certain sum- get a free delivery’.
3. Prices are lower in comparison with the main competitors.

PLACE

1. Online based store in Czech Republic (mainly in Prague).
2. The operating storage with necessary equipment.
3. Well-designed online catalogue of products.

PROMOTION

1. Advertising by word of mouth, in the press and on billboards.
2. Using online marketing like Facebook, Twitter, MySpace and LinkedIn.
3. ‘Pull’ strategy of promotion.
4. Club cards for regular customers.

6. Conclusion

The main goal of this thesis is to analyse the key principles of e-business start-up project and to prepare precise business plan for establishing absolutely new online shop selling Russian traditional delicatessens in the Czech Republic.

To achieve the mentioned goal, some number of objectives was set. For instance, these are analyses of market research, of competitive environment in business and of potential target customers. In addition, such strategic tools as SWOT, PEST and Marketing Mix analyses were used to evaluate main strengths and weaknesses of the business, possible opportunities and threats on the way to success, some political and economical factors which can affect the way of doing business, and to help in working out the accurate business and marketing strategies.

The first (*theoretical*) part of the thesis explains the main definitions are directly or indirectly related to the e-business concept and how is it important to know all these things to start-up a new business project.

The second (*practical*) part deals with writing brief and precise business plan, which includes such parts as operations plan and marketing plan. In the ‘business plan’ chapter, the researcher described organization structure, set up list of selling goods, stated the main mission and keys to success, and lastly drew up a personnel plan. In the next chapter called ‘operations plan’, the main suppliers, logistics, working hours, communication channels and types of payment were briefly discussed. ‘Marketing plan’ is the last and longest chapter. It is provided with valuable information about different analysed graphs with further prognosis of the growth in number of Russian foreigners in the CR, of value of e-sales of food and beverages in the CR and of global e-commerce sales volume. This chapter ends with detailed analysis of strategic tools, which were mentioned earlier.

From the whole comprehensive research conducted in the thesis one could conclude that the Czech Republic is a suitable country for starting up a new e-business project, especially in a food sector (import of Russian delicatessens to the CR). It has favourable environment for doing business, the prosperous economy, the strong local currency and the stable

exchange rates, and government support of new businesses. Moreover, the Czech government reduced the minimum capital requirement for entering new business. Also the Czech Republic has very high-quality conditions for foreign citizens, such as cheap and first-class education for Russian students taught in both Czech and English languages. Due to prognosis in ‘Figure 7’, the number of Russian expatriates will be growing steadily each year, so the number of potential customers will be growing as well.

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