

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Optimization of a business plan for eM Client company

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

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Ksenia Abramova

Business Administration

Thesis title

Optimization of business plan for eM Client company

Objectives of thesis

The purpose of this work is to analyse the current position of the company on a software market and to find ways of optimizing the business plan, to do so there are certain tasks, which need to be solved, such as:

- describe the main aspects of a business plan
- analyse the software market and the place of the company on the market
- characterize the main reasons and ways of business plan optimization
- evaluate the financial position of the company
- find the ways of optimization and improvement of the business plan of the company

Methodology

There are several methods used in this thesis. The first one is deductive reasoning or deductive logic. This method helps to reach the logical conclusion after reviewing several statements.

Starting with describing the software market and learning about its history, the work continues with outlining business plan characteristics and purposes. There are several main methods used in the thesis such as SWOT, Porter's Five Forces Model and horizontal and vertical financial analyses, which help to get the results from different business perspectives.

The proposed extent of the thesis

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Keywords

business optimization, software market, financial analysis, business plan

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Declaration

I declare that I have worked on my bachelor thesis titled "Optimization of a business plan for eM Client company" 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 30th November, 2018

Ksenia Abramova

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I profoundly grateful to my mother who has always been there for me and supported me throughout the whole process of writing this thesis.

This accomplishment would not be possible without them.

Optimalizace obchodního plánu pro společnost eM Client

Souhrn

Bakalářská práce je zaměřena na proces optimalizace podnikového plánu softwarové společnosti eM Client v Praze, která vyvinula a před 10 lety spustila software pro e-mailové klienty. Práce se skládá ze dvou hlavních částí: teoretické a praktické. Teoretická část popisuje čtenáři podnikatelský záměr včetně způsobů a důvodů pro optimalizaci podnikového plánu. Tato část rovněž zdůvodňuje volbu konkrétních marketingových analýz, které byly aplikovány v praktické části práce. Mezi použité metody patří SWOT, Porterův model pěti sil, horizontální a vertikální finanční analýza a stejně jako několik finančních ukazatelů. V rámci všech finančních a marketingových analýz byla použita data zapět let chodu společnosti. Závěrečná část této práce obsahuje výsledky a následná doporučení pro další akce této konkrétní společnosti. Na základě výše uvedených analýz a indikátorů bylo dosaženo několika výsledků: společnost nemá vysokou návratnost investic a snaží se o udržení co nejmenšího zisku díky procesu valuace společnosti. Hrozba náhradních produktů je velmi vysoká vzhledem k tomu, že existuje pouze verze desktopového e-mailového klienta a samotný software není zásadní službou v životě lidí a může být snadno nahrazen.

Klíčová slova: software, e-mailový klient, zastoupení společnosti, finanční analýza, marketing, e-business, obchodní plán, informační technologie, eM Client.

Optimization of a business plan for eM Client company

Summary

The bachelor thesis is focused on business plan optimization process of eM Client software company in Prague, which developed an email client software and launched it 10 years ago. The thesis consists of two main parts: theoretical and practical. The theoretical part provides the reader with basic description of a business plan and ways and reasons for optimization, along with explanation of different marketing analyses which will be carried out in the practical part, such as SWOT, Porter's Five Forces Model, Horizontal and Vertical financial analyses as well as several financial indicators. Five years of company's performance is taking into account during all the financial and marketing analyses. The conclusion part of this work includes results and recommendation for further actions for this particular company. Based on the analyses and indicators listed above several results were concluded: company doesn't have a high return on investment and tries to keep profit as low as possible due to company's evaluation process. The threat of substitute products is very high due to the fact, that only desktop version of email client exists and the software itself is not a crucial service in people's life and can be easily replaced.

Keywords: software, email client, company's representation, financial analysis, marketing, e-business, business plan, information technology, eM Client.

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1 Introduction

The initial aim of any kind of business is to get the profit, but profit is not the only part worth concentrating on. The position of the company on the market, the processes within the company and the further developments: it all has to be analyzed in order to get the proper view on the business plan of the company. Based on financial and business analysis one can see possible future developments of the company. Also, taking into account other sides of business, such as marketing strategy and employees, more effective results will be provided.

Several marketing analyses will be carried out in this thesis to identify firm's opportunities, strengths and weaknesses, along with various financial analyses, which help to concentrate on the financial side of the organization. Essential comparison with competitors plays a crucial role in the optimization process along with defining target group of customers and evaluating of the company's performance.

The choice of the company was based on the facts that the company is located in Prague and was established by four master students while they were still at the university. Then the company developed and after 10 years from its first version launched it became one of the best email client software for Windows there is on the market. Apart from the fact that it was very appealing to analyze a young, self-made company, the founder of eM Client is a close friend of mine.

2 Objectives and Methodology

2.1 Objectives

The purpose of this work is to analyze the current position of the company on a software market and to find ways of optimizing the business plan, to do so there are certain tasks, which need to be solved such as:

- describe the main aspects of a business plan
- analyze the software market and the place of the company on the market
- characterize the main reasons and ways of business plan optimization
- evaluate the financial position of the company
- analyze the company from marketing's perspective
- find the ways of optimization and improvement of the business plan of the company
- define target group of customers and offer solutions of acquiring them

From the above listed aims I can define several questions worth answering:

- Was the financial position of the company improving in the past 5 years?
- How the marketing side of the company can become better?
- How can the problem with hiring developers can be solved?
- Why is it crucial to set up a defined target group of consumers?

2.2 Methodology

There are several methods used in this thesis, the first one is the methodological method. This method helps to investigate the research problem, to understand and evaluate the problem's validity and reliability. The second one is deductive reasoning or deductive logic. This method helps to reach the logical conclusion after reviewing several statements. Starting with describing the software market and learning about its history, the work continues with outlining business plan characteristics and purposes. There are several main methods used in the thesis such as SWOT, Porter's Five Forces Model and horizontal and vertical financial analyses, which help to get the results from different business perspectives.

The data for these analyses was received from the accountant of eM Client company and some of it was taken from the website of the Ministry of Justice of the Czech Republic. The whole research is based on 5 years of company's performance (from 2013 till 2017).

In addition, there are few financial indicators used for better analyses of the company's behavior such as profitability, liquidity and return on investment.

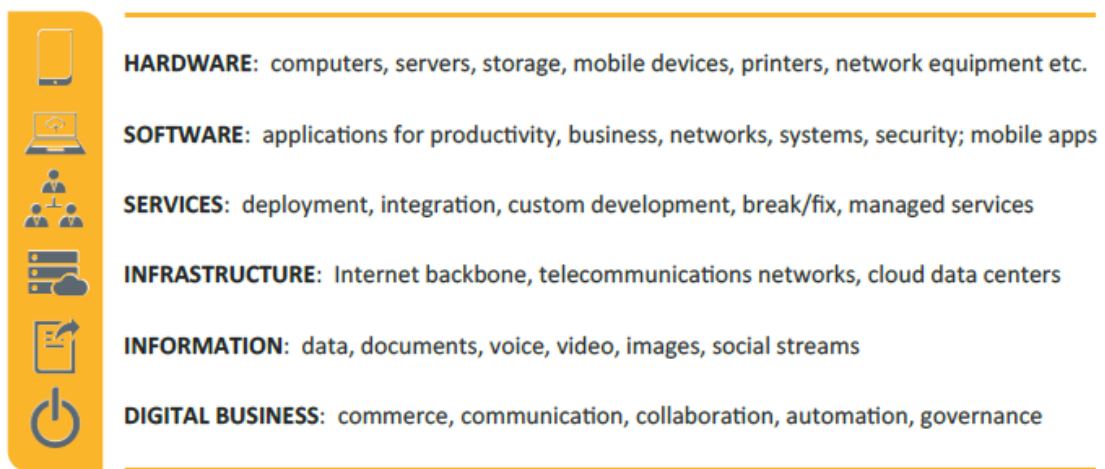
To understand the company's position on the market, there are several main and close competitors analyzed in the thesis as well. The biggest one, indeed, is Outlook, but the focus of Outlook and the software itself is not so close to what eM Client has to offer, therefore such competitors as Mailbird Client and Mozilla Thunderbird are taken into consideration.

3 Theoretical Part

3.1 Information technology and software markets

“Information Technology (IT) is the technology involving the development, maintenance, and use of computer systems, software, and networks for the processing and distribution of data” says Merriam-Webster’s dictionary. Its elements include:

Figure 1. Information technology elements



Source: Comptia.org, 2018

Since the analyzed company produces software, this work will be focused on software and digital business section of IT technology, because the whole business operates online.

Electronic business (e-business) can be described as the use of internet in a purpose of creating network and empower business processes, electronic commerce, organizational communication and collaboration within the company and with its customers, suppliers and other stakeholders. *Electronic commerce (e-commerce)* is buying and selling, marketing and servicing of products and services via computer networks. (Combe, 2016)

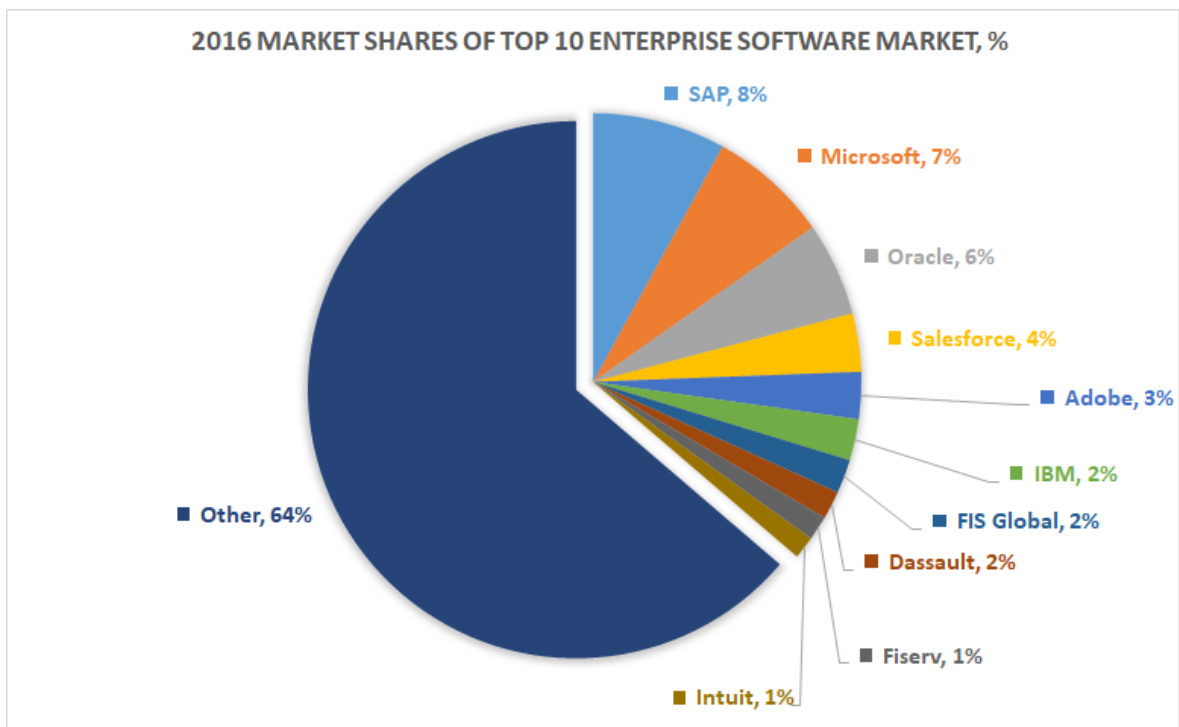
3.1.1 Structure of the software market

The software helps organization, businesses and even people to coordinate and work better. There is no doubt that software has a significant impact on global economy and one can see that through the innovations, technical progress, growing productivity and the workforce. As Encyclopedia Britannica says: “*Software, instructions that tell a computer what to do. Software comprises the entire set of programs, procedures, and routines*

associated with the operation of a computer system. A set of instructions that directs a computer's hardware to perform a task is called a program, or software program.”

The pie chart below illustrates the software market share between the leading companies in 2016. Sap in a position of the market leader has 8% of shares, followed by Microsoft with 7% and Salesforce and Oracle with 4% and 6% respectively. However, more than half of the market shares belong to some other companies.

Figure 2. Shares of software market 2016



Source: Apps Run The World - Apps Research & Buyer Insight, 2018

There exist two main types of software **systems software** and **application software**. **Systems software** refers to programs, which help to maintain the computer itself such as the operating system, file management utilities, and disk operating system (or DOS). Microsoft is a leading player in this segment with 90% of personal computers run by Windows operating system.

Application software, or just **applications**, are often called productivity programs or end-user programmes, because they help the user to complete certain tasks, for instance creating documents, spreadsheets, sending e-mails, drawing graphics etc. The company

eM-client belongs to application software, since they provide a program, which helps the end user to send and organize emails more efficient. (Dictionary, Terms and Tags, 2017)

There is a certain market structure according to the number of companies involved in trading similar goods. When there are many companies on the market, the entry and exit have no barriers, but the knowledge of the market is imperfect. These are the main characteristics of monopolistic or imperfect competition. (i.e. restaurants, beauty salons, plumbers, electricians etc.) Another type of the market structure is Oligopoly when there are many firms on the market, but there are few, which are dominating (i.e. airline industry, oil and gas, mass media, pharmaceutical etc.)

3.1.2 History of email software development

The first important email software which was considered as one of the competitors was *the Eudora* developed by Qualcomm starting in 1991 was extremely popular in 90s and used to be a free software, but after few years Qualcomm launched a new paid version, and when the price went up as 65\$/license the popularity decreased and open-source Eudora collapsed in 2010. (Shustek, 2018)

Pegasus Mail was released in 1990 initially as a freeware but later went over to subscription model to stay alive, and it is still functioning only on Windows platform though. It does not have its 90's popularity anymore and used mostly by its loyal fans. (Pmail.com, 2018)

Outlook was introduced for the first time in Microsoft Office 97. It included email, calendar with tasks, notes and a journal. Already back then, it was more than just an email software, it was a complete Personal Information Manager. Now Outlook is the most successful email software that has ever been developed. (Bright Hub, 2018)

In 1997 *The Bat!* Software was established which is still running though operates only on windows platforms. This shareware exists in two versions: Home and Professional. (Ritlabs.com, 2018)

In 2004 *Mozilla Thunderbird* free email client software was effectively thrown out as a second-class product by Mozilla Foundation. But in 2012 it was separated from Mozilla Firefox infrastructure but continued existing in the Foundation.

In 2008 *Postbox* was launched for Windows and Mac OS X operating platforms. It is based on Mozilla Thunderbird software, but the user interface was “polished” a lot and it is mainly focused on Mac OS consumers.

In 2013 *Mailbox Application* was created with big hype, later was bought by Dropbox and discontinued in 2016.

Small competitors such as Barca email client and Pocomail were discontinued in 2009.

In 2014 Acomplia created a mobile email application, which was bought by Microsoft and rebranded as *Outlook* for iOS and Android.

In 2013 *Airmail client* was launched for iPhone and Mac OS X.

In 2013 *Mailbird email client* was released which in many ways copied eM Client software. The software got a couple of rewards for being the Best Free Email Client for Windows. It is fair to say that this is one of eM Client’s biggest competitors. There will be a more detailed comparison in following chapters.

3.2 Main characteristics and purposes of a Business Plan

Business plan is the initial thing, which needs to be done before starting any kind of business. Business plan gives not only the idea of the structure of the company and what it will produce, but also, how it will be developing and how successful it can become. Finding the future investors, partners and executive workers is a big deal which depends on how good and well-structured the business plan is, because that’s the first thing they are going to know about the future company. (Pinson, 2008)

There are several parts of business plan, which cannot be missed, starting with executive summary telling the potential investors and partners what’s the business is about including the business concept, financial requirements, revenue and profit expectations.

Business plan should state clearly the business idea, company’s aims and a how the business differs from competitors in a better way. (Gschwend, 2003)

The introduction is followed by company’s background and description of the industry and the product. There are many more aspects included in a business plan such as: the market analysis; the positioning of the company on the market; pricing; distribution, how exactly

the product is going to move from the ending stage at the factory to the final consumer; marketing strategies, how the product is going to be promoted, which audience is targeted; sales potential; competitive analysis, production goals and development; financial data including company's current position, accounts payable and receivable, break even analysis, etc. It is as well contains organizational structure and management, ownership and risk factors. (Pinson, 2008)

Moreover, the plan must give the complete breakdown of company's structure: who is responsible for what, what are the official channels, who answers to whom, how the tasks are delegated etc. The more delegation the better the work, it is efficient to assign all the projects to someone else who can do it as good as you or better. So that the founder of the firm can devote all his attention to the leadership strategy. Main leadership functions are: *continuous monitoring* (do consumers need these products/services in the target market), *determination of the company strategy* (what one wishes to achieve until *when* and *where*). After establishing the strategy, it is time to start implementing it by acquiring clients, hiring employees, proceeding with financial analysis, market strategies etc. In a meantime it is crucial not to forget about the quality control of the offered products or services, so that the understanding of the product condition is always up to date, and the needs of the customers are always taken into account. (Gschwend, 2003)

There are several reasons why business plan is so important. The first one and the most obvious is to see the future of the company, as it's commonly said it's like a 'roadmap' which helps an entrepreneur to put a starting point and 'draw' how he wants to move, which direction and where he wants to end up. (Pinson, 2008)

A business plan itself represents the business opportunities and explains how one can take advantage of them.

The first thing is to *identify a true business opportunity*: one has to find opportunities which suited best for him and focus on them.

Then one will have to *find an investor*, and to find one, you have to think like one!

Nowadays, business quite often needs funding and free cash flow cannot cover all the needs, so entrepreneurs have to seek external funding, which can be from some investors or bank loans. It is important to show the investors what they can get out of it, that their investment can produce a reasonable return. (Bennett, 2005)

Another significant reason of having a strong and comprehensive business plan is a development of a course of action, setting up the goals and assign milestones to specific people within the company. That might be the tool later on, when there is a need of checking if the company is on the right track, and how much it has already accomplished.

Braun Bennett wrote - “Business plan helps you think about the business in a disciplined and systematic way”:

Understanding business drawbacks: while drafting the business plan one can predict what will follow after certain actions. By reviewing all possible outcomes and scenarios it is possible to avoid problems and have better understanding of the issues which might arise.

Creating “war strategies” or contingency plans: usually one should take time and think about their business in a period of 3 to 5 years long and record these real possibilities in the business plan. It would add credibility for the business plan and help a businessperson to project the real-life opportunities.

As it has been already mentioned it is crucial to *set realistic goals based on market realities*. The biggest mistake an entrepreneur can make is to set unrealistic success and revenue expectations based upon market assumptions instead of taking into consideration the real situation which might look not as bright. (Bennett, 2005)

Last but not least, business plan helps to maintain the cash flow of the company, which happens to be one of the most common reasons why the businesses fail. After the business hits its break-even point, cash flow management becomes crucial, and planning the timing of cash inflow and outflow will help a company to manage the funding in advance.

It is important to foresee the finish line of the business and create a strategy for exit. There are several ways how to exit the business. First, one can sell it to someone outside the business, or to the business partner. There is also, a way of passing the business to one of the family members. In some situations, the best way is to stop business and get liquidity in a fast and simple way, just selling assets, paying out creditors and getting profit after taxes, though in this case return is lower than in cases of selling the whole business. (Pinson, 2008)

3.3 Business Plan Optimization: ways and reasons

The original business plan was created years ago when the company was just established, and many entrepreneurs got caught up with the business development and sales of the

product that forget to review the business plan again. The company is changing every year, it is not a start-up anymore and reviewing, changing and optimizing the business plan is an extremely important thing one should do. There exists the wrong thinking that once the system is installed it is free from performance degradation. As a software company its renewing the product itself quite often, creating new, better versions of it. However, companies sometimes do not pay as much attention to the company itself as to its product. And here comes the mistake, because both is crucial for a successful business to exist.

The analysis of the target market, the competitors, the existing customers, the ways of promoting the company and bringing it to the higher lever is as essential as creating new bag-free versions of the software. However, before starting the optimization process the clear goals, of what the company should optimize, must be set. For example, time, cost, quality, target market, promotional campaigns, resources etc. (Berry, 2010)

The optimization of business processes leads to:

- *Time Savings*
- *Cost Savings*
- *Increases the process efficiency*
- *Consistency in managing the business processes*
- *Considering an overall improvement to the organization as a whole*

Specific dimensions:

people: if there are knowledge gaps which lead to a disaster or employees are behind the schedule, implementing new ways of teaching employees is essential.

i.e. educational trainings, group discussions, new available online resources. All of this will have a great influence towards minimizing production loss and maintenance costs.

technology: businesses use different technologies to maintain day-to-day operations or support strategic decisions.

process: every organization uses their own processes which are regulated by rules and business procedures. Standardization and improvement of these processes are significant in order to reach time and cost savings without any negative impact on a business as a whole. It could be achieved by investigating all processes from the end of a business cycle, or changing the sequences within a single business process, or increasing scalability and performance and reducing redundancies.

Process optimization could involve the following steps:

- *Understanding of the process* – for any activity that deals with process optimization should begin with understanding of the compatible industry process, the best solutions around it and the existing process the business following today.
- *Understanding the process issues* – one can notice the process issues only when there happens a delay in the process or something goes wrong in certain steps. There is no need of modifying or changing the existing process completely, only fixing certain tasks or implementing new more efficient steps instead of the redundant ones, is enough.
- *Fact based analysis & review* – one should collect all the data systematically to review the existing process, comparing fact-based analysis of the system data, existing process documentation and the proficiency of the existing resources with the data which has been collected in the previous steps. It will help us to construct the foundation for interpretation and analysis to acquire the baseline information for setting performance indicators.
- *Preparation of consolidated findings & recommended solution & approach* – when all the previous steps are finished it is high time to consolidate the findings and bring up the problems the business have. First, it is important to point out the issues and then bring the solutions or at least the approaches which might lead to a solution.

The process optimization report includes:

- Issues & main points
 - Opportunities & Solutions available
 - Detailed profiles of key solutions
 - Recommended solutions/approaches
 - Roadmap on how to start achieving the solutions that can help to fix the existing issues
- *Presentation of findings* – in this step the interpreted findings and solutions are presented to the business, where at the same time the business should choose the which approach it wants to take and approximate results it wants to receive.
 - *Implement & Execute* – the implementation of the solution is happening in this stage. To measure the effectiveness of the implemented solution various tools are

used. There might be some difficulties, concerning the implementation itself, usually connected to limited resources. (Ghosal, 2015)

3.4 The SWOT Analysis

“Build your weaknesses until they become your strengths”- Knute Rockne (1926). The famous American trainer said that thinking mostly about his sportsmen he was coaching, but these words can be used in any other situation as well, especially, when one talk about business. Because apart from the fact that it is crucial to know one’s strengths and uniqueness, one cannot afford to forget about the weaknesses and things which still need to be improved in the business. Therefore, the SWOT analysis will be introduced and the comparison of all qualities the company have will be made.

SWOT is an acronym which stands for Strengths, Weaknesses, Opportunities and Threats.

This model helps companies identify its internal factors which are connected to internal functioning and external factors that depend on the environment in which the company grows.

External factors (opportunities, threats) are the ones which company cannot influence. Internal ones (strengths, weaknesses), on the other hand, can be influenced and changed by the company. (Pahl and Richter, 2009)

3.5 Principles of Financial Analysis

“Financial analysis provides a systematic approach to making business decisions.” – said Samuel Weaver (2012) and it is hard not to agree with him, because financial analysis is a mechanism which monitors, evaluates, and communicates the results of those business decisions. Financial analysis helps to track past events and predict consequences of future decisions.

In order to be able to perform the analysis one needs to acquire all the necessary financial statements (the set of the standardized reports) which give us the access to the history of company’s growth, its achievements and the current status. Financial statements provide a base for predicting organization’s future performance. Moreover, they provide the measure of the company’s value. (Weaver, 2012)

There are three main financial statements which can describe the activities of the firm over one-year period.

- *Income Statement* (Statement of Profit or Loss, Profit/Loss Account) shows sales revenues and expenses for a certain period of time, usually one year.
- *Balance Sheet* (Statement of Financial Position) provides a full picture of what a company owns and what it owes at a chosen moment in time.
- *Statement of Cash Flow* represents all the transactions that affect the cash balance account over a certain period of time. (Weaver, 2012)

The most common accounting date for issuing the balance sheet is the end of the calendar year (31st December) and it is also the date to which the Income Statement is made. (Stárová, 2015)

There are two methods of financial analysis Vertical and Horizontal which are going to be used in this work.

3.5.1 Indicators of Financial Analysis

The main reason for assessing a company's operating performance is to identify whether the firm is using its assets in an efficient and profitable way. One can use financial ratios to evaluate several aspects of operating performance and financial condition: (Fabozzi et al., 2003)

1. *Return on Investment ratios* analyze measures of benefits, such as revenues, to measures of investments. If one wishes to evaluate how efficient the company uses its assets in the operation process, the *basic earning power ratio* (ratio before interest and tax) is the formula which will show the return on assets.

$$\text{Basic earning power} = \text{Earnings before interest and taxes} / \text{Total Assets}$$

2. *Liquidity* shows the ability of business to meet its short-term obligations using the assets that are most likely to be converted into cash quickly. Assets which can be easily converted into cash are called liquid assets and are listed in balance sheet as current assets.

One can define an organization's ability to meet its current obligations by using the formula:

$$\text{Current ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Another way to measure business ability to meet short-term obligations by using *net working capital-to-sales ratio*, which helps to compare net working capital (current assets less current liabilities) to sales:

$$\text{Net working capital-to-sales ratio} = \text{Net working capital} / \text{Sales}$$

3. *Profitability ratios* describe how well the company is managing its expenses. *Profit margin ratios* compare elements of income with sales and reflect firm's operating performance. They help to analyze which factors build a company's income. If one wants to concentrate on gross profit, which would show a direct result of production management, this formula will be used: (Fabozzi et al., 2003)

$$\text{Gross profit margin} = \text{Revenues} - \text{Cost of goods sold} / \text{Revenues}$$

3.5.2 The Structure of the Balance Sheet

The balance sheet is known to have the ultimate purpose of providing debit and credit equality under the double-entry system and consistent delivery of information as a result of closing the books. Furthermore, it has more crucial functions such as a measure of liquidity and as a measure of solvency. (Rao, 2011)

Balance Sheet equation:

$$\text{Assets} = \text{Equity} + \text{Liabilities}$$

or

$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

The first side (left part) of the statement consists of the fixed and current assets, whereas the right side of the sheet describes how they have been financed; from own sources (equity) or were borrowed from someone (liabilities). The totals of each part must be equal. (Stárová, 2015)

According to Smith, 2010 the balance sheet always begins with fixed (non-current) assets, which can be identified as resources that are gained for productive use within the firm rather than for the purpose of being sold. Fixed assets support the business itself and usually remain in the company for a long period of time.

Fixed assets are divided in three categories: *intangible assets* are non-monetary assets that cannot be seen, touched or physically measured; *tangible assets* are the ones that have a long-term physical presence and usually acquired for business use (i.e. machinery, land, equipment, property etc.); financial assets are the ones that derive the value because of a legal contract (i.e. investments, bonds, stocks etc.) and are kept for more than a year in a firm. (Stárová, 2015)

The current assets are listed after the fixed assets on the same side of the balance sheet. Current assets represent short-term assets that are kept in the company for a year or less and usually for the purpose of selling, reselling, conversion into cash, or these assets are cash. There are several groups of current assets: inventories (stock), receivables (debtors) and financial assets (different forms of cash). (Stárová, 2015)

On the left side of the statement of financial position *equity (capital)* and *liabilities* are listed.

Equity shows the amount of money invested in the company by its owners. Equity is defined as a long-term commitment and is not expected to be repaid by the business to the owner unless the business is shut down. (Smith, 2010)

Liabilities show the amount of money owned to creditors due to merchandise, materials or supplies purchase or the money borrowed usually from the bank and stated as a bank loan under the liabilities section.

Liabilities, as well, can be short-term (defined as payables, usually originated from materials or merchandise purchase and should be paid within 12 months) or long-term (defined as non-current and can be settled after 12 months after the balance sheet date). (Smith, 2010)

3.5.3 The Structure of Income Statement (Profit/Loss Account)

An overview of management performance as shown in the profitability (or lack of it) of a company over a certain period of time (usually one year). It keeps the detailed records of past revenues and expenses that led to the current position of profit or loss and shows what might be done to improve the outcome. (businessdictionary,2018)

In contrast to a balance sheet, an income statement describes what happened over a month, quarter or a year. It is based on a *fundamental accounting equation*:

$$\text{Income} = \text{Revenues} - \text{Expenses}$$

Moreover, it represents the rate at which the owner's equity changes for better or worse. Along with balance sheet and cash flow statement it creates the basic set of financial information required to run the company. (businessdictionary,2018)

Revenue (Income) is an increase in retained earnings (equity) created by the sales of products, materials, merchandise or services provided. Revenue is a gross inflow of economic benefits gained through the ordinary (operating, financial) activities and the extraordinary ones of an entity when those inflows result in equity increase. (Stárová, 2015)

Expense is a decrease in retained earnings (equity) as a result of a company's activities. It is a decrease in economic benefits during reporting period in the form of outflow or deficiency of assets or acquisition of liabilities that result in decrease in equity. (Stárová, 2015)

Retained earnings is a profit gained by an organization that is not distributed among the shareholders as dividends but is either reinvested in the business or kept as a reserve for specific objectives (i.e. to pay off the debt or acquire a capital asset). (businessdictionary.com, 2018)

3.5.4 The Structure of Cash Flow Statement

The Statement of Cash Flows describes cash transactions of a company during a certain period of time and divides them into three categories: operating, investing and financial activities. It represents how cash moved during the period by illustrating whether a particular item is a cash in-flow or cash out-flow. Cash flow statement gives us consistent information in accessing the firm's liquidity, solvency and quality of earnings.

More than 95% of the business process has to do with the *operating (profit-making) activities* such as sales, acquiring products for sale, hiring employees and all other things that aim to make profit.

Cash flow from *investing activities* is related to activities that aim to gain profit in the future such as acquiring long-term assets.

Cash flow from *financial activities* is connected to transactions with shareholders and creditors, such as payment of dividends, sale of shares, issuance of bonds etc. (Tracy and Tracy, 2012)

3.5.5 Vertical Analysis

Vertical analysis focuses on financial relationships in the financial statements over a certain period of time. As a general rule, each item in the statement is listed as a percentage of a base figure. Therefore, in the income statement each line item percentage is seen as a proportion of revenue. Although, vertical analysis is most often used in income statement, it can be also used in the balance sheet, where each line item is stated as a percentage of total assets or liabilities. The percentage of each financial statement item shows its significance in relation to the gross sales (revenue). (Friedlob and Schleifer, 2003)

Vertical analysis helps to compare the financial statements of different organizations and across industries, because one can easily determine relative proportions of account balances. Moreover, it makes it easier to compare previous periods and years within one company and makes it possible to get the full picture of firm's performance and see whether its improving or declining. (Investopedia, 2018)

3.5.6 Horizontal Analysis

The different way to evaluate income statement or balance sheet is by using *horizontal analysis*. By performing this analysis one should look in company's accomplishment year-over-year. In this case line items in income statement or balance sheet are compared over a period of time by selecting one year's records as a baseline (100%), while all other years will be represented by percentage change compare to the baseline year. (Friedlob and Schleifer, 2003)

Horizontal analysis allows one to see what has been influencing company's financial performance over the years, as well as identify trends and growth patterns.

Nevertheless, depending from which accounting period one starts analysing and how many periods are considered, the current period might appear usually good or bad. (Investopedia, 2018)

4 Practical Part

4.1 Overview of the Practical Part

In practical part of this thesis the issues, which are the core of optimization process will be stressed and analyzed. It is crucial to identify competitors, position on the market, the condition of the industry for proposal of the solutions and expected results. The balance statement of the company will be analyzed and based on that solutions will be introduced regarding costs reduction and sectors of the business which might improve due to new investments.

Moreover, since it is an e-business and the company operates online, more attention will be given to the company's website and online ways to advertise the business.

4.2 eM Client s.r.o. company overview

eM Client is a full featured e-mail client for Windows with a modern and easy to use interface. The company was established as an e-business company in 2007 in Prague, the Czech Republic and was rapidly developing over 10 years.






eM Client integrates email, calendars, tasks and instant messaging in a single modern desktop application. Switching to eM Client from other software is very easy as one can import all the data from Outlook, Outlook Express, Windows Live Mail, Thunderbird and others.

Easily synchronize with Gmail, Outlook.com, Exchange, Office 365, iCloud, Yahoo or any other service provider and have all the data always available. Moreover, the automated built-in data backup ensures that a user doesn't have to worry about losing their data ever again.

eM Client has a powerful and efficient user interface that boosts productivity to the level one has always wished for. eM Client now also supports touch devices so one can use just their fingers to seamlessly manage all email communications as well as events, contacts and tasks. (Emclient.com, 2018)

The table below shows the main features of eM client software, and how it differs from the other same oriented programs.

Figure 3. Features and comparison of eM Client software

What makes eM Client an exceptional email client:					
Features	 eM Client	 Microsoft Outlook	 Windows Live Mail	 Mozilla Thunderbird	 Incredimail
Super fast search	✓	✗	✗	✓	✗
Import from different e-mail clients	✓	✓	✓	✓	✓
Full sync with Gmail	✓	✓	✗	✗	✗
Communication history	✓	✗	✗	✗	✗
Integrated chat	✓	✗	✗	✗	✗

Source: eM Client, 2018

4.2.1 eM Client website structure

“You can’t just place a few “Buy” buttons on your website and expect your visitors to buy” this Neil Patel’s (2018) quote perfectly describes how important is to create a decent website especially when one is running an e-business, so all the customers that one might have, need to go to the website first.

In this subchapter eM Client company’s website will be analyzed from different perspectives which were nicely listed in a book by Cindy Jutras “ERP Optimization: Using Your Existing System to Support Profitable E-Business Initiatives”.

It’s known that the first and the most important thing is *the address of the website* and how easily customers can find it. eM Client got the full credit from this side because the address of the website is the name of the company (emclient.com), it is easy to find and easy to remember.

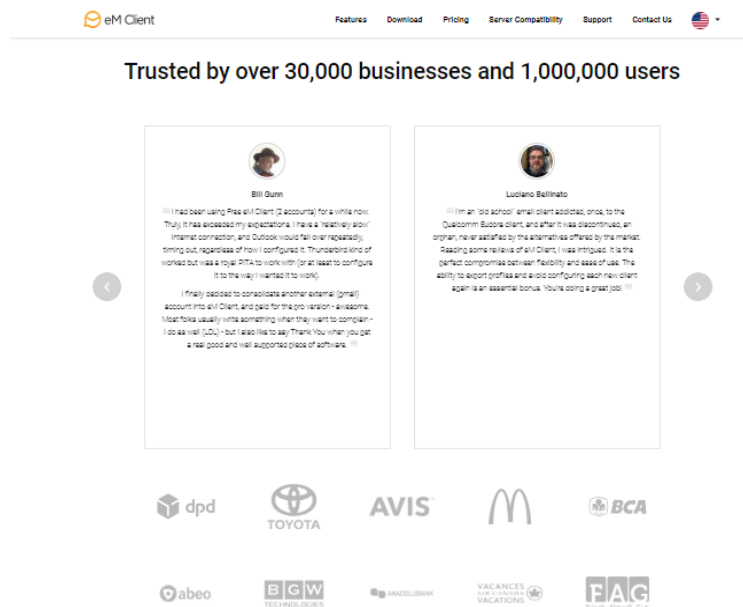
The second important part which website should have is *the history of the company*. How easily a new client can find information about the company: how long it exists and when

was it founded, what are the main goals and why your company is the one which customer should trust? – is crucial. Unfortunately, there is no section about us or who they are on eM Client website, so new clients cannot find this information directly on company’s website, they probably would find something on Wikipedia or maybe a competitor’s website but not on the original website where this information should be written.

Who are the key executive members, who is in charge – these are other questions which website should give an official information on. And again, eM client website does not have this section, there is a part called “company information” which gives the contacts of sales team, reseller team and support. However, the page does not contain any names or the contacts of actual people.

Who are the existing customers, who is using your software – the customers should be able to see some feedback on the software and information about existing customers. From this point of view, the company did a great job by posting the feedback from people right on the main page along with their names and profile pictures. Moreover, there is a list of companies which are using their software. In the picture below, one can see that there are arrows, so that users can scroll left or right to see feedback from more customers.

Figure 4. Screenshot of the company’s website featuring the feedback section



Source: eM Client, 2018

Product availability – what are the ways clients can try/buy the software, what are the payment options, what are the guarantees. On the main page the first thing a user sees as a

green free download button, as easy as it is, just click on it and a client got a free version, which he can use for free as long as he wants. However, if a customer desires more features, and especially if he uses eM Client for business, there is a PRO version of the software, which one can purchase on the website even with an option of lifetime upgrades. In addition, the company offers 30-day money-back guarantee.

Product demonstration is another important feature the website selling software should have. People should be able to see how the program works before buying/downloading it. The presentation of the software is exceptional. On the main page the consumer can see the video clip of how the software works and a short overview of main features. Furthermore, if the customer clicks “features” button on the website he is taken to the detailed explanation of how every feature works in an easy and simple way to understand.

Contact Us – how easy the client can contact the company and get support, have some questions answered, etc. As it’s been mentioned before, there is a button for contact us, where one can get emails for several departments of the company such as Sales Team, Reseller Program and there is a general info email. However, if one requires some technical support, there are two separate forums: one – for free version users, another one – for PRO version users. As for the free version users, one can post his question on the website and it will be answered in several hours, also, one can see all the previously asked questions and FAQ for quicker assistance. If the client is a PRO version user then there is a different platform for support which includes: features, accounts, tutorials and knowledgebase. Both forums are available for everyone, although if one has a question to ask the signing in on the website is necessary.

Notify me or subscribe button, it is always helpful to send new releases of software to the existing customers and potential customers. Unfortunately, eM Client software does not have it, and even if a client has already purchased the software, it does not lead to any notifications from the company.

To conclude, a new user who has just opened the website for the first time, can find there almost everything he or she needs. The most important thing is to describe the software the company is selling as complete as possible and give people the examples of clients and companies who are already using it. After the thorough research of the website it is fair to

conclude with no doubts that the website can convince new customers to trust them and to buy software without any hesitations.

4.2.2 Online representation of the company

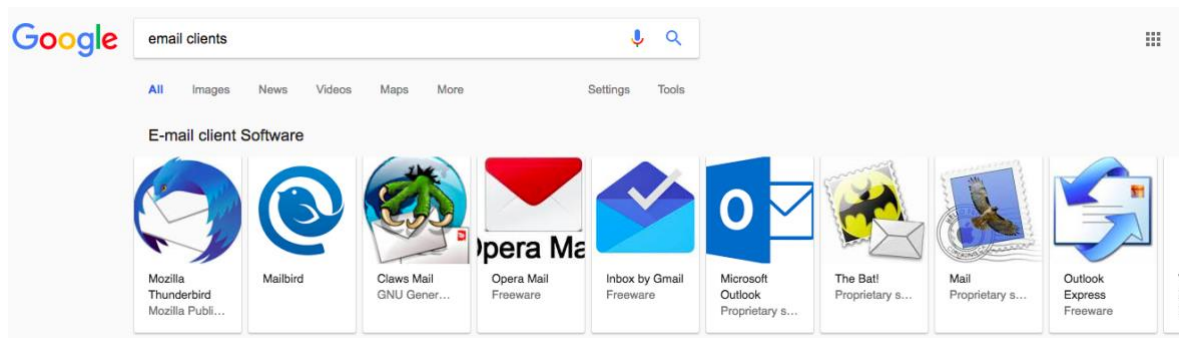
After analyzing the company's website, it is crucial to see how the company is represented in other media such as social media (i.e. Facebook, YouTube, Instagram, Twitter etc.) and other digital and print media.

eM client has its own Facebook page which is updated twice a month with the posts connected to new software upgrades, new languages implementation etc. It is followed by around 12,000 people which does seem good, but the company's website claims that they have around 1 million users, but only 8% of them is interested in their Facebook page. It is fair to say that promotion of the Facebook page will be very useful in the future, it is known that social media takes a crucial part in advertising and marketing nowadays, since people spend more and more time on social media.

Let's have a look at the company's YouTube channels and some videos connected to eM Client software. The channel does exist but haven't been used for more than 4 years and has 62 followers. It's fair to conclude that the organization doesn't use YouTube as a service to promote its software or share any kind of information. There are some additional videos regarding eM Client and how to use it uploaded by some fans but that's all there is.

However, more information regarding company's marketing strategy was provided in a conversation with one of the developers of the company. eM Client does use various methods of advertising such as paid search results, banners and PR articles. But all these tools are oriented on certain countries and demographics.

Figure 5. Screenshot of Google Search Suggestions



Source: Google, 2018

Nevertheless, when someone types in Google Search “email clients”, eM client website appears only as the 4th link in the search, in addition to the fact that in Google Search Suggestions it does not appear at all (see figure 5). Despite that eM client is called to be the best eM client for windows on the website which indeed appears as the first link in this search (see figure 6). The Google Search cannot be affected by any advertisement, but can be improved by constant updates of the website, metadata and the most important approach of creating a better SEO ranking is to have linked to one’s website other trust-worthy pages and have these pages link to eM Client website as a “recommendation” or as a cite.

Figure 6. eM Client is called the best on Techradar.com

The screenshot shows a web browser window with the URL <https://www.techradar.com/news/the-best-free-email-client>. On the left is a vertical advertisement for 'BEWOODEN' with the text 'KOUSEK PŘÍRODY V SRDCI MĚSTA' and a 'PROHLÉDNOUT »' button. The main article content includes:

eM Client looks brilliant, and provides quick and easy setup for all the main email providers. It's our favorite free email client

1. eM Client

The best email client, with support for a huge range of email providers, integrated chat, smart translation, and simple migration

- ➕ Easy migration tools
- ➕ Integrated chat
- ➕ Smart, accessible design
- ➖ Only supports two email accounts

eM Client has been around for nearly 10 years now, and throughout that long development it's evolved into the best free email client for Windows.

eM Client makes it easy to migrate your messages from Gmail, Exchange, iCloud and Outlook.com – just enter your email address and the client will adjust the appropriate settings for you. eM Client can also import your contacts and calendar, and it's easy to deselect these options if you'd prefer to manage them separately.

There's an integrated chat app too, with support for common platforms including Jabber and Google Chat, and the search function is far superior to the rest of the field.

Source: Ellis and Marshall, 2018

eM Client does have its Instagram account but as one can recognize that it is not been activated yet, since it’s completely empty. It is definitely worth spending some time on it and post some pictures, videos, maybe use the stories, to attract as many people as possible everyday activity should be visible on the account. Social media accounts can attract not only potential clients but new employees as well, especially, if there would be some posts about the company’s events, teambuildings, some office pictures etc.

Having a glance at its Twitter account it is obvious that it has been used but not so often anymore. Checking the history of tweets and seeing people writing and recommending the software is great but after May 2018, there isn't much activity happening. Last but not least, since eM Client offers their software to companies as well, it crucial to have a decent LinkedIn profile of the company. It is clear that eM Client is not focusing on its LinkedIn profile, since the last post was 2 months ago and for 10 years of existence of the company it acquired only 94 subscriptions.

After analyzing all social media networks and representation of eM Client company there, one cannot help agreeing that the firm tries to be on every social networking service, but it doesn't put much effort into it, as a result none of the accounts are maintained properly and consistently. Nowadays if one doesn't keep its account alive by having some activity at least once a week, maybe for the software company it would be twice a month, people would lose interest eventually and new potential clients won't notice the firm's Facebook page for example because of a lack of activity.

4.2.3 Identifying competitive advantages

"The essence of strategy is choosing what not to do" is a quote by Michael Porter Harvard Business School's professor (1996) and leading authority on company's strategy and the competitiveness of nations and regions. The research of competitive advantage of eM Client company using Porter's Five Forces Model will be introduced in this chapter.

But what is a competitive advantage? It is a product or service that an organization's customers place a greater value on, than similar offerings from a competitor.

Competitive intelligence is a process of collecting information about the competitive environment to improve the company's ability to succeed. (Baltzan, 2014)

Five Forces Model is one of the competitive intelligence tools.

Figure 7. Porter's Five Forces Model



Source: Author, 2018

Buyer power – the ability of buyers to affect the price of an item.

There are few ways to decrease the customer's power by using:

- Switching costs – manipulating costs that make customers hesitant to switch to another product. For example, if a client already installed the software and was using it for a while, it is not easy to transfer all his data and emails to another email software, and there might even be an extra charge for this kind of service.
- Loyalty program – various rewards for customers who stay loyal to the software, more bonuses if a client recommends the product to his friends etc. Besides, there is a reseller program set up, that if an existing user of eM Client decides to resell the software through his company's website or using any other way, there is a 35% margin that could be earned by doing it.
- Affiliate program – offering the existing clients or potential ones sell the software and make money on commissions can help decrease buyer's power. There is an opportunity to help promote the software and earn some shares from the sales. If an individual posts eM Client banners on their website and other people click on it and then purchase the product, this individual will get a 20% commission from every sale. This is an extremely profitable opportunity for other small companies or bloggers who could help to promote the software and earn some extra money for themselves.

Supplier power – the ability of suppliers to affect the prices they are charging for supplies. In this case, freelancers who work for eM Client has the supplier power. It is much easier to hire a freelancer than a regular employee, it is also more profitable for the company, but then the freelancer can leave any time they want and that's the risk company must be aware to take on.

Threat of New Entrance – is high when it is easy for new companies to enter the market and low when there are significant entry barriers – a feature of a product or service that customers have come to expect and entering competitors must offer the same for survival. It is known that it is not easy to enter the market nowadays. For the product to enter the market it must find some niche market or give up altogether. There are new products coming up to the market at about same rate as old ones discontinued. Furthermore, email clients in general are not that crucial in current environment, most of the individuals can access their emails via web based email software or using phone applications.

Threat of substitute products or services – high when there are many similar products which an individual can substitute, one for another, and low when there are less or no alternatives.

In this case, there are many alternatives to the communication software, though there are different features in all of them, so none of them are the same, but still the customer has a big variety to choose from. Besides, the trend of using email clients is decreasing, since more modern services appear, such as WhatsApp, Viber, Facebook messenger, Instagram messenger etc. These applications are more convenient for people to use since one can have them at hand any time whereas the eM Client software must be installed on the PC, laptop or notepad and can be used only on these platforms.

Rivalry among existing competitors – is high when competition is intense in a market and low when competitors are more complacent. (Baltzan, 2014) It is fair to say that the market of email client software is fierce. Mailbird software, one of the competitors of eM Client, was paying for search keywords like “eM Client slow” to advertise it. Also, it is hard not to notice that Mailbird website's interface looks almost the same as eM Client one. Moreover, one of eM client developers, Filip Navara (2018), mentioned that Mailbird client indeed copied a lot from eM Client not only the layout and structure of the website but, also, some of the software features. Besides, there has been misleading marketing strategy implemented towards eM Client. The table below is taken from Mailbird client website,

and one can see that the information is completely incorrect, since eM Client does have a free version and customizable themes, and it is explicitly written on their website.

Table 1. Screenshot from Mailbird Client Website

Works offline	✓		✓	✓	✓
Free version	✓	✓		✓	✓
Unified inbox	✓	✓	✓	✓	
Speed reader	✓				
Quick preview of attachments	✓				
Customizable themes	✓	✓			
App integrations	✓	✓	✓	✓	
Live customer support	✓		✓		
Email account import	✓		✓	✓	✓

Source: Mailbird, 2018

Table 2. Competitor's software comparison

Mailbird	Mozilla Thunderbird	Postbox inc.
<ul style="list-style-type: none"> ● free lite version; yearly full version - 12€; lifetime full version - 39€. 	<ul style="list-style-type: none"> ● completely free 	<ul style="list-style-type: none"> ● 30 days free trial; lifetime license - 40€
<ul style="list-style-type: none"> ● focused on Windows OS 	<ul style="list-style-type: none"> ● focused on Windows OS 	<ul style="list-style-type: none"> ● focused on macOS (80% of users)
<ul style="list-style-type: none"> ● app integrations 	<ul style="list-style-type: none"> ● 	<ul style="list-style-type: none"> ● app integrations
<ul style="list-style-type: none"> ● customized layout 	<ul style="list-style-type: none"> ● customized layout 	<ul style="list-style-type: none"> ●
<ul style="list-style-type: none"> ● multi-language support (17) 	<ul style="list-style-type: none"> ● multi-language interface (59) 	<ul style="list-style-type: none"> ● multi-language support (10)
<ul style="list-style-type: none"> ● only one email account 	<ul style="list-style-type: none"> ● as many accounts as you want 	<ul style="list-style-type: none"> ● all accounts in one place
<ul style="list-style-type: none"> ● integrated with google calendar 	<ul style="list-style-type: none"> ● calendar add-on, limited 	<ul style="list-style-type: none"> ● integrated with google calendar
<ul style="list-style-type: none"> ● 	<ul style="list-style-type: none"> ● 	<ul style="list-style-type: none"> ● communication history
<ul style="list-style-type: none"> ● secure communication (SSL/TLS) 	<ul style="list-style-type: none"> ● secure communication (SSL/TLS) 	<ul style="list-style-type: none"> ● secure communication (SSL/TLS)
<ul style="list-style-type: none"> ● 	<ul style="list-style-type: none"> ● S/MIME support 	<ul style="list-style-type: none"> ● S/MIME support

Source: Author, 2018

Although, there are many similar features with the competitors, eM Client is the only one which has a built-in calendar and tasks management tool, moreover, the software has its own back up tool and touch support which makes it easier to use in any device. In addition, eM Client is currently localized into 20 languages. eM client started focusing on email privacy and security as well as electronic signatures and encryption, eM Client is the only

one software which has PGP support – end-to-end encryption for emails – which prevents any third party from reading the email, even the email provider. It is hard to compare eM Client to Outlook even though there are features which Outlook lacks, i.e. custom theme support or attachment history. Moreover, when one uses Outlook, it is known that Microsoft owns all personal data, but when the individual or a company uses eM Client their data is more secured and encrypted. Mentioning another point, one cannot purchase only Outlook, people are forced to buy the full 365 Office, which they might not even need. Besides, there are so many ways of getting Outlook for free, i.e. one can download the whole MS Office online through illegal websites or students always get free MS Office through their university account, working adults get it through their company’s account.

Moreover, eM Client does not have an annual subscription, it is a one-time purchase of a license with an option of paying more for lifetime updates.

After analyzing these five forces it is possible to conclude which business strategy the company is using. There are three generic strategies choosing a business focus determined by Michael Porter. (see the table below)

Table 3. Porter's Three Generic Strategies

		Cost strategy	
		Low Cost	High Cost
Competitive Scope	Broad Market	Cost Leadership	Differentiation
	Narrow Market	Focused Strategy	

Source: Author based on Porter (2008)

Cost leadership strategy happens when the company is increasing profit by reducing costs while selling products at low/average prices, i.e. Walmart, Tesco etc.

Differentiation occurs when company creates unique differences in its product to influence demand, usually at higher cost, i.e. Louis Viton

Focused strategy is usually employed when the company knows its segment and has products to competitively satisfy its needs. (Businessdictionary.com, 2018)

By using comparison with competitors, it is fair to say that eM Client employed focused strategy and does have enough unique features to satisfy market’s needs.

4.2.4 The SWOT Analysis

Table 4. SWOT Analysis of eM Client

Internal factors	
Strengths	Weaknesses
1. devoted clients, 10 years on the market	1. no mobile application available
2. modern and easy-to-use interface	2. very utilitary
3. great specialists in specific fields	3. no identified target group
4. suitable for personal and business usage	4. difficult to hire new developers for the software
5. easy deployment and migration	5. lack of sales, marketing, advertising experts
6. possibility of creating a completely personalised software	
External factors	
Opportunities	Threats
1. increased demand for personalised software	1. bigger competitors (Gmail, Outlook)
2. decrease of competitors	2. fierce situation on the market
3. improvements of market situation	3. non-supportive environment for entrepreneurs
	4. email client mobile applications

Source: Author, 2018

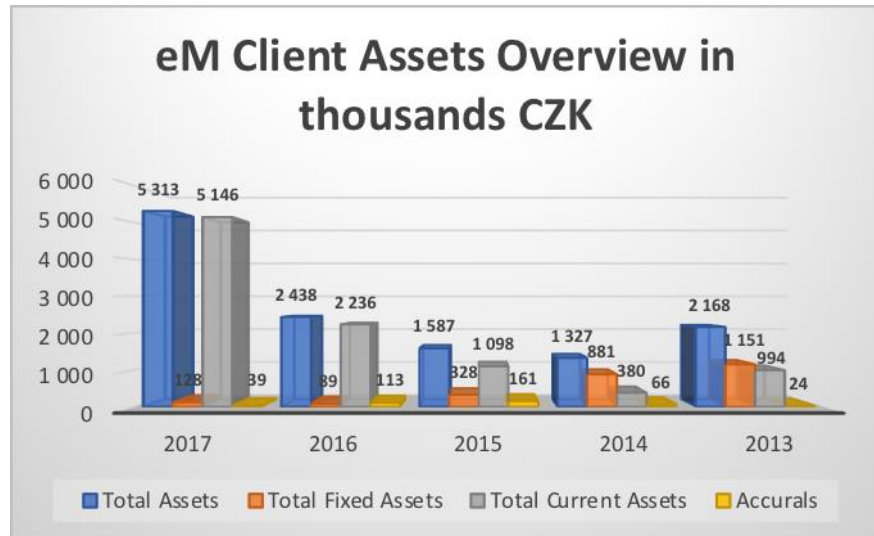
The weaknesses segment in case of the company is crucial, because it is a small company which still requires development. That's why identifying the target group of customers is significant, because for now the product does not have any specific focus and tries to be everything for everyone, but one day it might happen that it won't be anything for anyone.

Moreover, the product itself is very specific, so it is hard to advertise it, it is a helpful software, which will make one's life easier, but it is not something necessary, something people cannot live without. It is believed that these are the most important issues which need to be solved in order for the company to continue a successful lifetime.

4.3 Overview of eM Client Assets and Liabilities

It is crucial to understand what the company owns and how much it owes to others. In the assets overview graph (Figure 8) one can see the trend of eliminating the fixed assets and accumulating the current ones. This has a direct connection with the fact that the fixed assets were depreciating over 5 years and no new investment has been done, so there was no amortization which would bring the balance of the Fixed Assets account back to its original level. Besides, if there would be no new long-term investments, the fixed assets account will significantly decrease and eventually after all old investments will end their life time, there will be none to replace them, and the company might be in a very unstable position in regard to financing its future long-term assets.

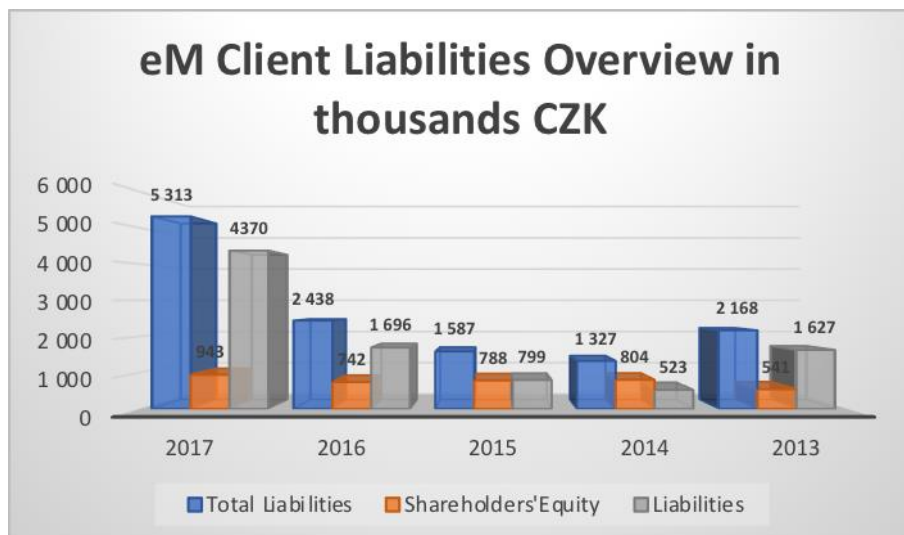
Figure 8. eM Client Assets Overview



Source: Author, based on the firm's official reports (2018)

In the next graph one can analyze the behavior of liabilities (Figure 9). The company's liabilities have been increasing significantly over the past 5 years from 1,627 thousand CZK in 2013 to 4,370 in 2017. However, the equity was quite stable but still experienced a slow growth from 541 thousand in 2013 to 804 in 2014, with some fluctuations in 2015 and 2016 when it dropped to 788 and 742 respectively. Nonetheless, equity reached its peak in 2017 at 943 thousand CZK.

Figure 9. eM Client Liabilities Overview



Source: Author, based on the firm's official reports (2018)

4.3.1 Vertical Analysis of the Balance Sheet

By carrying out the vertical analysis of the balance sheet one will be able to see what part each account holds in relation to the total assets or total liabilities when each is stated as 100% (Table 5). As it is mentioned before, the company was acquiring more current assets and from having about 46% share in 2013 it went to almost 97% in 2017, whereas fixed assets dropped from 53% in 2013 to 2.4% in 2017. It is important to notice that there has been a serious increase in the shares of cash, which increased from almost 14% in 2013 to 42% in 2017 with a significant peak in 2015 at 55%.

Let's take a look at the behavior of liabilities where one can realize that after 2013 the liabilities started to decrease from 75% to 50% in 2015, whereas the equity was increasing from almost 25% in 2013 to about 50% in 2015. However, in 2016 happened a completely different change, liabilities increased and took almost 70% of total liabilities and kept on growing and equity dropped down to 30% increase in 2016 and then to 18% in 2017.

Analyzing everything listed above, it is fair to say that by acquiring more current assets the company accumulated more liabilities at the same time. Moreover, by eliminating its fixed assets, it is, also, decreased its equity.

Table 5. Vertical Analysis of the Balance Sheet in thousands CZK

	2017	2016	2015	2014	2013
Total Assets	5 313	2 438	1 587	1 327	2 168
	100%	100%	100%	100%	100%
Total Fixed Assets	128	89	328	881	1 151
	2,41%	3,65%	20,67%	66,39%	53,09%
Intangible Fixed Assets	18	17	154	405	673
	0,34%	0,70%	9,70%	30,52%	31,04%
Tangible Fixed Assets	110	72	174	476	478
	2,07%	2,95%	10,96%	35,87%	22,05%
Total Current Assets	5 146	2 236	1 098	380	994
	96,86%	91,71%	69,19%	28,64%	45,85%
Short-term receivables	2 895	1 302	224	211	692
	54,49%	53,40%	14,11%	15,90%	31,92%
Cash	2 251	934	874	169	302
	42,37%	38,31%	55,07%	12,74%	13,93%
Accruals	39	113	161	66	24
	0,73%	4,63%	10,14%	4,97%	1,11%
Total Liabilities	5 313	2 438	1 587	1 327	2 168
	100%	100%	100%	100%	100%
Shareholders' Equity	943	742	788	804	541
	17,75%	30,43%	49,65%	60,59%	24,95%
Liabilities	4 370	1 696	799	523	1 627
	82,25%	69,57%	50,35%	39,41%	75,05%
Long-term payables	0	0	0	163	260
	0	0	0	12,28%	11,99%
Short-term payables	4 370	1 696	799	360	1 367
	82,25%	69,57%	50,35%	27,13%	63,05%

Source: Author's calculations based on the firm's official reports (2018)

4.3.2 Horizontal Analysis of the Balance Sheet

By looking at the horizontal analysis of the balance sheet, one will be able to see the changes over the years comparing to base year 2013.

In the meantime, the fixed assets decreased by -89% by 2017, whereas the current assets exponentially rose by 417% in 2017, which proves one more time that the fixed assets were decreasing due to depreciation.

Similar changes can be observed in the cash account which went from -44% decrease in 2014 to 645% increase in 2017.

The liabilities grew by 168% change in 2017. Meanwhile, equity was steadily increasing till 2017 when it reached 74% change, this tells us that equity is growing as well but not as fast as liabilities.

Table 6. Horizontal Analysis of the Balance Sheet in thousands CZK

	2017	2016	2015	2014	2013 (base year)
Total Assets	5 313	2 438	1 587	1 327	2 168
	145%	12%	-27%	-39%	100%
Total Fixed Assets	128	89	328	881	1 151
	-89%	-92%	-72%	-23%	100%
Intangible Fixed Assets	18	17	154	405	673
	-97,33%	-97,47%	-77,12%	-39,82%	100%
Tangible Fixed Assets	110	72	174	476	478
	-76,99%	-84,94%	-63,60%	-0,42%	100%
Total Current Assets	5 146	2 236	1 098	380	994
	417,71%	124,95%	10,46%	-61,77%	100%
Short-term receivables	2 895	1 302	224	211	692
	318,35%	88,15%	-67,63%	-69,51%	100%
Cash	2 251	934	874	169	302
	645,36%	209,27%	189,40%	-44,04%	100%
Accruals	39	113	161	66	24
	62,50%	370,83%	570,83%	175,00%	100%
Total Liabilities	5 313	2 438	1 587	1 327	2 168
	145,06%	12,45%	-26,80%	-38,79%	100%
Shareholders' Equity	943	742	788	804	541
	74,31%	37,15%	45,66%	48,61%	100%
Liabilities	4 370	1 696	799	523	1 627
	168,59%	4,24%	-50,89%	-67,85%	100%
Long-term payables	0	0	0	163	260
	-100,00%	-100,00%	-100,00%	-37,31%	100%
Short-term payables	4 370	1 696	799	360	1 367
	219,68%	24,07%	-41,55%	-73,66%	100%

Source: Author's calculations based on the firm's official reports (2018)

4.3.3 Vertical Analysis of the Income Statement

The vertical analysis has been performed on the period from 2013 to 2017 using all important income statement's records. As one can see in the table below (Table 7), the Costs (A+D classe of income statement) is taking up more than 90% throughout all five years. Therefore the share of other accounts is not that recognizable but still one can notice

that operating income increased significantly in 2015 to 0.7% after being at the point of 0 for two years 2013 and 2014. Operating expenses varied between 0.1% in 2013 and 0.2% in 2017 reaching its peak in 2015 of having 0.4% shares of revenues.

However, if take a precise look at the staff costs (D classe of the income statement), one can realize, judging by a very low salaries amount, that most of the employees are freelancers along with the founders of the company, so the actual staff cost would be completely different if one takes into account all freelancers which work for the company.

Profit/loss account after tax fluctuated between -0.1% shares of total revenues in 2016 and 1.9% in 2014, reaching its highest percentage over the 5 years.

Table 7. Vertical Analysis of Income Statement in thousands CZK

	2017	2016	2015	2014	2013
Revenue	35 021	33 232	23 899	17 484	9 025
	100%	100%	100%	100%	100%
Costs	34 060	32 478	22 846	16 333	8 505
	97,3%	97,7%	95,6%	93,4%	94,2%
Adjustment of values in operating activities	86	239	443	542	174
	0,25%	0,72%	1,85%	3,10%	1,93%
Other operating income	146	0	160	0	0
	0,4%	0	0,7%	0	0
Other operating expenses	85	60	98	18	10
	0,2%	0,2%	0,4%	0,1%	0,1%
Profit / loss from operating activities (+/-)	620	127	209	452	210
	1,8%	0,4%	0,9%	2,6%	2,3%
Other financial revenues	170	328	303	142	125
	0,5%	1,0%	1,3%	0,8%	1,4%
Other financial expenses	589	487	558	262	255
	1,7%	1,5%	2,3%	1,5%	2,8%
Profit / loss from financial activities	-419	-159	-255	-120	-130
	-1,2%	-0,5%	-1,1%	-0,7%	-1,4%
Profit / loss before tax	201	-32	-46	332	80
	0,6%	-0,1%	-0,2%	1,9%	0,9%
Income tax	0	15	10	0	16
	0	0,05%	0,04%	0	0,18%
Profit / loss after tax (+/-)	201	-47	-56	332	64
	0,6%	-0,1%	-0,2%	1,9%	0,7%

Source: Author's calculations based on the firm's official reports (2018)

4.3.4 Horizontal Analysis of the Income Statement

The horizontal analysis has been performed throughout 5 years from 2013 till 2017 (Table 8). Year 2013 has been taken as a base year, therefore it is stated as 100%. By using this analysis, the entrepreneur can see more clearly how the business was performing and changing over the years compare to the vertical analysis. One can notice that the revenue grew exponentially by 288% increase in 2017 along with the costs which include freelancers' services. The costs were extremely growing from the change of 92% in 2014 to 282% in 2016 in regard to the base year 2013. It is unusual to see that the income from operating activities was set at 0 over three years 2013, 2014 and 2016 but did reach 160 thousand CZK in 2015 and 146 in 2017. The operating expenses have been rising significantly over these five years, by 880% in 2015 and 750% in 2017 compare to 2013. Profit and loss account after tax increased by 419% in 2014 then dropped by -188% decrease in 2015 and managed to get back to profit only 2017 expressing 214% growth.

Table 8. Horizontal Analysis of the Income Statement in thousands CZK

	2017	2016	2015	2014	2013 (base year)
Revenue	35 021	33 232	23 899	17 484	9 025
	288%	268%	165%	94%	100%
Costs	34 060	32 478	22 846	16 333	8 505
	300%	282%	169%	92%	100%
Adjustment of values in operating activities	86	239	443	542	174
	-51%	37%	155%	211%	100%
Other operating income	146	0	160	0	0
		0		0	100%
Other operating expenses	85	60	98	18	10
	750%	500%	880%	80%	100%
Profit / loss from operating activities (+/-)	620	127	209	452	210
	195%	-40%	-0,5%	115%	100%
Other financial revenues	170	328	303	142	125
	36%	162%	142%	14%	100%
Other financial expenses	589	487	558	262	255
	131%	91%	119%	3%	100%
Profit / loss from financial activities	-419	-159	-255	-120	-130
	-222%	-22%	-96%	8%	-100%
Profit / loss before tax	201	-32	-46	332	80
	151%	-140%	-158%	315%	100%
Income tax	0	15	10	0	16
	0	-6%	-38%	0	100%
Profit / loss after tax (+/-)	201	-47	-56	332	64
	214%	-173%	-188%	419%	100%

Source: Author's calculations based on the firm's official reports (2018)

Since the company has been on the market for over 10 years, it is fair to say that it is still developing, and it hasn't got enough stability based on the observed extreme changes in the profit. Nevertheless, there has been an improvement in the past two years and in 2017 the firm created the positive income.

However, based on both analyses carried out on the company's income statement, one cannot help agreeing that the firm is doing its best to keep the profit as low as possible due to taxes and company's valuation. Since most of the employees of the firm are freelancers it is much easier to maintain and adjust the invoices and the expenditures to company's needs.

4.3.5 Indicators of Financial Analysis

Let's have a look at several indicators of financial analysis which were listed in the theoretical part and define whether the assets are used in efficient and profitable way. First indicator is *return on investment*. In the table below, *basic earning power ration* tells us that for every thousand Czech crowns invested the company makes 116 Czech crowns in the case of 2017. According to the calculations, in 2014 the return was the highest of 340 CZK for a thousand and the lowest in 2016, when it hit 52 CZK.

The second indicator is *liquidity* and two ratios which help to measure it: *current ratio* and *net working capital-to-sales ratio*. By analysing current ratio, the entrepreneur can identify how the company covers its current liabilities with current assets. In the past three years 2017 – 2015 the company's current liabilities were almost equal to current assets, but in 2014 as well as 2013 the firm wasn't able to cover liabilities with its current assets. It's fair to conclude that there has been progress in obtaining current assets. By looking at net working capital-to-sales ratio one should notice that the company is not using its working capital in an effective way. In 2013 and 2014 the liabilities exceeded the assets therefore the ratio is negative. Nevertheless, it is slowly improving since it reached 2% in 2017.

Table 9. Indicators of Financial Analysis of eM Client company

	2017	2016	2015	2014	2013
Basic earning power	116,69	52,09	131,70	340,62	96,86
Current Ratio	1,178	1,318	1,374	0,727	0,611
Net working capital-to-sales ratio (%)	2%	2%	1%	-1%	-7%
Gross profit margin	53,45	33,91	53,27	111,24	129,75

Source: Author's calculations based on the firm's official reports (2018)

Last but not least is *profitability* indicator. *Gross profit margin* helps to identify the ability of a company to handle its expenses. It shows the income which is resulted from the production management. The highest margin was in 2013 where for one thousand CZK of sales 129 CZK remain after subtraction of operating expenses. However, since then the margin was decreasing and dropped down to 33 CZK income from a thousand CZK sales in 2016.

4.4 Defining target groups of consumers

It is crucial to have a defined target group of consumers, because none of the businesses can afford to target everyone. Being specific and choosing firm's target group of customers, does not mean that all other groups will be skipped, it just means that the company is focusing on one particular market which is interested the most in their product and the business has perspectives on this ground.



To define the best fitted target group for eM Client, let's take look at their current customers, to identify who is using the software and for which purposes.

Originally the software was designed for *Individuals* and *Businesses* and these are two main target groups it is focusing on now, but one can see that these groups are very broad and it would be more efficient to concentrate more on one group but still do not exclude the other one. To compare those two target groups let's look at the company's website to get some statistics. The website says that there are 30,000 businesses and 1 million individuals who use this software. The numbers would tell us that since there are more interested individuals that should be the target group. But if the profitability of businesses are taken into consideration and the money they could bring to the company, the first impulse should be reconsidered.

The software has two versions: free and pro, it is a one-time payment and there is no annual subscription. The individual most probably will choose a free version for one device use, usually people do not require more to be able to manage their emails, tasks and calendar. However, if a certain business wants to use the software as a set up email client for the entire organization, even the small one, which has, for instance, 10 people, the businessman will have to purchase 10 licenses which would cost him 3,159 CZK. Moreover, the entrepreneur is likely to be interested in purchasing lifetime upgrades straight away, so that the software is up-to-date all the time and there will be no interruptions in his business processes. This kind of license for 10 employees will cost 6,319 CZK. It is obvious that one small business will bring the company around 6,000 CZK whereas 10 individuals will bring nothing.

Let's have a look at the table 10 below, which is taken from eM Client company's website, where one can see the price comparison with Outlook (one single year license of 365 Office) and eM Client (one single license with lifetime upgrades included), and it is visible that eM Client's software is more affordable.

Table 10. eM Client and Outlook Price Comparison

Product	1 License	3 Licenses	5 Licenses	10 Licenses	20 Licenses
 eM Client	\$49.95	\$79.95	\$109.95	\$182.95	\$312.95
 Outlook	\$109.95	\$329.95	\$549.95	\$1099.95	\$2199.95

Source: eM Client, 2018

The other way is to think what the software can give to businesses. The company is founded by four talented IT developers, they are able to maintain and improve the software in real time. Moreover, there is always an opportunity to request a personalised email client which can be developed based on already existing client. For example, there might be changes done to satisfy each company's personal demands, for instance for a small private clinic there could be a shift calendar embedded.

Targeting individuals will be more challenging in the competition point of view, because most of the email software is suitable for them, whereas email software which will be developed for businesses or even have features of personalization is likely to have fierce

competition on the market and there is more chances to show public how different the email client is and why they should choose exactly the product of eM Client company.

However, going back to table 4 “SWOT analysis of eM Client company”, will tell us that hiring new developers is one of the major weaknesses of the business. If eM Client does choose businesses as a target group and will offer a personalized version, more developers will have to be involved in the process. eM Client is a small company in the Czech Republic which has been on the market for 10 years only, such a profile of a company doesn't attract many talented developers. They would rather work for Microsoft or Google than for eM Client. Therefore, targeting businesses is potentially dangerous because if the company is not able to hire enough programmers, the timings of delivering the personalized software will be longer than expected and clients might lose interest if they have to wait for the product for too long.

5 Results and Recommendations

To begin with the financial analysis provided above, it is fair to say that eM Client is a growing company which experienced some difficulties in 2015 and 2016 years judging by its income statement but did manage to generate profit in 2017 and get a more stable position on the market. Based on financial indicators, one can conclude that the company doesn't have high return on investment index neither it has a high profit margin. Though company is able to cover its liabilities with current assets for the past three years which is an improvement compare to previous years. However, the strategy of the company is to keep profit as low as possible due to taxation and company's valuation, therefore it is hard to analyze the real situation in this case and it is not completely accurate to claim that the firm didn't generate any profit in 2015 and 2016 and experienced loss, when it might have been all paid to freelancers and founders and therefore one can witness loss in the income statement.

Based on SWOT analysis one can reach several results. First, considering that the company is run by programmers, people with very technical thinking, marketing side of the business is not very developed. Lack of advertisement and promotion of the business might have major consequences in the future when the company will need to acquire more new clients.

Secondly, the missing target group of customers have very strong and negative impact on the whole business. The company has been operating for 10 years so far and never managed to decide which target group they want to work for, it is believed that the company cannot survive another 10 years on the market with such a fierce situation without finding its niche.

Last but not least, lack of developers is playing crucial role in the company's success and improvement. The company hires many freelancers along with the regular employees, but it is always a risk to work with the freelancers since they can leave the firm any time they want without even an advanced notice.

Based on the results listed above, there will be proposed several ways of improving the company's position on the market.

First of all, it's critical to develop marketing strategy and maybe hire a marketing specialist who would be able to guide the company in the right direction. There could be some more

effort put into developing and frequently updating social networking accounts such as Instagram, Facebook, Twitter etc. However, if businesses will be the main target group, then there could be done some promotions through the companies which already use eM Client. Moreover, participating in various IT conferences, such as WebExpo for example, would play a huge part in acquiring new businesses, promoting the company and helping people to get to know the firm.

Secondly, taking part in different job fairs for students and other people interested will be far more productive to meet more developers and IT focused people, then trying to target people on LinkedIn. If the future employee has already a positive impression of the company by meeting in person some of the people who work there, this person is more likely to be interested to work for the company. Also, this would help to hire some interns, that it is known that students prefer to stay and get a full-time contract after their internship ends, in addition, there is a chance to teach this person to do the work exactly how you need it to be done, whereas with more experienced employees this is not always a possible way. Making hiring full-time employees a company's priority will secure the business and help to maintain stable workflow.

Moreover, a serious thought should be put into designing a mobile application, because in 21st century people are used to be able to proceed with any needed actions from their phone, even if they don't prefer to do so every day but in case of any emergencies or important matters which should be followed up immediately, this is extremely crucial to be able to have access to one's emails on the phone.

Furthermore, defining the target group of customers is crucial and it needs to be done as soon as possible, otherwise the company takes a huge risk of targeting all groups of people. As it is mentioned before, one can see that businesses are a better target group for this software and there will be more opportunities to succeed and maybe even expand later on. Not even mentioning that this target group will generate better profit for the company especially if the personalized software will be introduced to the market. Nevertheless, one should not forget about the individual users either, and there could be a version developed for them (which already exists) but it might be helpful to offer some paid features, which are not basic and critical aspects of the software but something more specific that some certain individuals would feel like using.

6 Conclusion

To conclude, one cannot help agreeing that eM Client is a developing and improving software company with many potential opportunities and space for growth. Although, it is challenging to give a full feedback based on financial analyses since the company is trying to keep the profit low, there are only few official contract employees and many expenses are not described in detail in the documents, nevertheless one should understand that there is a slow growth throughout the five years which have been analyzed. It is likely that the profit records are biased, but the revenue does show us that there has been a major improvement done in these 5 years.

Thinking about the marketing and future developments, it is fair to say that the company doesn't consider marketing as one of the important sides of their business and during the research it was obvious that there hasn't been much effort put into developing social media channels to communicate their product to the costumers and potential employees. Although, there has been some advertising done, but it's always targeted on specific countries and demographics only.

Taking into account Porter's Five Forces Model analysis, it is clear now that the threat of substitute products is very high, since the popularity of desktop email clients is decreasing, and new services appear which are more modern and more convenient for people to use. On top of that, the environment of the market is very competitive and other companies are ready to operate in the bad faith in order to promote their own product.

Regarding the target group of customers which needs to be defined, there should be a clear future drawn up and the company needs to decide what they want to achieve and when. Based on this, one can determine the target group which suits the company and it can be either businesses, which are known to bring more money to the firm, or individuals, who are likely to pay less but it is easier to target and satisfy their needs.

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8 Appendix

Table 11. Income Statement of eM Client Company in thousands CZK

Classe	Text	Result in the accounting period				
		2017	2016	2015	2014	2013
I.	Sales of Own Products and Services	34 705	32 904	23 436	17 342	8 900
II.	Sales of goods	0	0	0	0	0
A.	Consumption from production (sum A.1. to A.3.)	33 149	32 105	22 626	15 539	7 854
1.	Cost of goods sold	0	0	0	0	0
2.	Consumption of material and energy	628	390	388	348	337
3.	Services	32 521	31 715	22 238	15 191	7 517
B.	Increase/decrease in finished goods and in work in progress	0	0	0	0	0
C.	Own work capitalized	0	0	0	0	0
D.	Staff costs (sum D.1. to D.2.)	911	373	220	794	651
1.	Wages and salaries	782	309	182	794	651
2.	Social security and health insurance costs and other costs	129	64	38	N/A	N/A
2.1	Social security and health insurance costs	129	63	37	N/A	N/A
2.2	Other social costs	0	1	1	0	0
E.	Adjustment of values in operating activities (sum E.1 to E.3.)	86	239	443	542	174
1.	Adjustment of values of intangible and tangible assets	86	239	443	542	174
1.1	Adjustment of values of intangible and tangible assets - permanent	86	239	443	542	174
1.2	Adjustment of values of intangible and tangible assets - temporary	0	0	0	0	0
2.	Adjustment of values of inventories	0	0	0	0	0
3.	Adjustment of values of receivables	0	0	0	0	0
III.	Other operating income (sum III.1. to III.3.)	146	0	160	0	0
1.	Proceeds on sale of fixed assets	40	0	0	0	0
2.	Proceeds on sale of material	0	0	0	0	0
3.	Other operating income	106	0	160	0	0
F.	Other operating expenses (sum F.1. to F.5.)	85	60	98	18	10
1.	Net book value of fixed assets sold	17	0	0	0	0
2.	Net book value of material sold	0	0	0	0	0
3.	Taxes and fees relating to operating activities	2	4	3	6	1
4.	Provisions and adjustments relating to operating activities and complex deferred expenses	0	0	0	2	2
5.	Other operating expenses	66	56	95	9	7
	Profit / loss from operating activities (+/-)	620	127	209	452	210
IV.	Revenues from long-term investments	0	0	0	0	0
V.	Revenues from other long-term investments	0	0	0	0	0
VI.	Interest income and similar income	0	0	0	0	0
VII.	Other financial revenues	170	328	303	142	125
K.	Other financial expenses	589	487	558	262	255
	Profit / loss from financial activities	-419	-159	-255	-120	-130
	Profit / loss before tax	201	-32	-46	332	80
L.	Income tax (sum L.1. to L.2.)	0	15	10	0	16
1.	Due	0	15	10	0	16
2.	Deferred (+/-)	0	0	0	0	0
	Profit / loss after tax (+/-)	201	-47	-56	332	64
M.	Transfer of profit to partners (+/-)	0	0	0	0	0
	Profit / loss for the period (+/-)	201	-47	-56	332	64
	Netto turnover for the period=I.+II.+III.+IV.+V.+VI.+VII.:	35 021	33 232	23 899	17 484	9 025

Source: Author, based on the firm's official reports (2018)

Table 12. Balance Sheet of eM Client Company in thousands CZK

Classe	ASSETS	Accounting period (2017)	Accounting period (2016)	Accounting period (2015)	Accounting period (2014)	Accounting period (2013)
		Net	Net	Net	Net	Net
	TOTAL ASSETS (A. + B. + C. + D.)	5 313	2 438	1 587	1 327	2 168
A.	Receivables from Subscriptions	0	0	0	0	0
B.	Fixed Assets	128	89	328	881	1 151
B.I.	Intangible Fixed Assets	18	17	154	405	673
B.II.	Tangible Fixed Assets	110	72	174	476	478
B.III.	Financial Investments	0	0	0	0	0
C.	Current Assets (C.I. + C.II. + C.III. + C.IV.)	5 146	2 236	1 098	380	994
C.I.	Inventory	0	0	0	0	0
C.II.	Receivables	2 895	1 302	224	211	692
1.	Long-term receivables	0	0	0	0	0
2.	Short-term receivables	2 895	1 302	224	211	692
C.III.	Short-term Financial Assets	0	0	0	0	0
C.IV.	Cash	2 251	934	874	169	302
D.	Accruals	39	113	161	66	24
Classe	LIABILITIES	Accounting Period (2017)	Accounting Period (2016)	Accounting period (2015)	Accounting period (2014)	Accounting period (2013)
	TOTAL LIABILITIES (A. + B. + C. + D.)	5 313	2 438	1 587	1 327	2 168
A.	Shareholders' Equity (A.I. + A.II. + A.III. + A.IV. + A.V. + A.VI.)	943	742	788	804	541
A.I.	Registered Capital	200	200	200	200	200
A.II.	Premium and Capital Funds	0	0	0	0	0
A.III.	Profit Funds	10	10	10	10	10
A.IV.	Profit / Loss Brought Forward	532	532	331	331	331
A.V.	Profit / Loss of the Current Financial Year /+ - /	201	200	247	263	0
A.VI.	Decisions on Advances for Payment of Profit Sharing /- /	0	0	0	0	0
B. + C.	Liabilities (B. + C.)	4 370	1 696	799	523	1 627
B.	Reserves	0	0	0	0	0
C.	Payables (C.I. + C.II.)	4 370	1 696	799	523	1 627
C.I.	Long-term Payables	0	0	0	163	260
C.II.	Short-term Payables	4 370	1 696	799	360	1 367
D.	Accruals	0	0	0	0	0

Source: Author, based on the firm's official reports (2018)