

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Management**



**Business Plan to Establish a Dance Studio**

**Diploma Thesis**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Anastasiia Pavlova

Business Administration

Thesis title

**Business plan to establish a dance studio**

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### Objectives of thesis

Aim

The aim of this research is to develop the comprehensive business plan in order to analyze the possibility and appropriateness of starting a dance studio in Moscow, and determine key parameters for the plan's successful completion.

Objectives:

1. Make a comprehensive overview of the recent literature related to the issue discussed;
2. Analyze theoretical background of the business plan development, determine the importance, main principles and stages (including financial plan, marketing, executive, organizational etc.);
3. Describe the business to be opened, the peculiarities and environment;
4. Develop the business plan using the concepts and principles discussed in the previous chapter;
5. Analyze the appropriateness and profitability of starting a business, make conclusions.

### Methodology

Methodology of research in the thesis includes literature review, data collection, sampling, classification and systematization, summarizing, deduction, logic and scientific analysis.

**The proposed extent of the thesis**

Approx 50 – 60 pages

**Keywords**

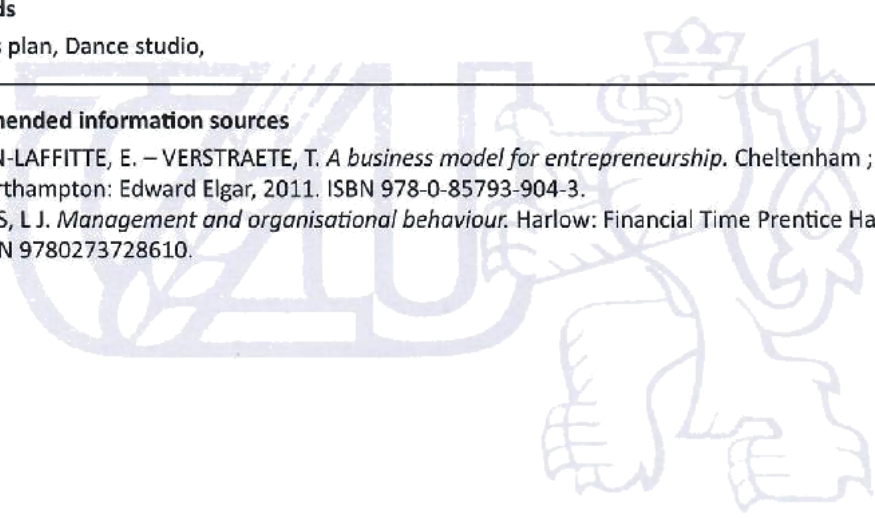
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**Recommended information sources**

JOUISSON-LAFFITTE, E. – VERSTRAETE, T. *A business model for entrepreneurship*. Cheltenham ; Northampton: Edward Elgar, 2011. ISBN 978-0-85793-904-3.

MULLINS, L.J. *Management and organisational behaviour*. Harlow: Financial Time Prentice Hall, 2010. ISBN 9780273728610.



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**Declaration**

I declare that I have worked on my diploma thesis titled “Business Plan to Establish Dance Studio” by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on 30<sup>th</sup> March 2017

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## **Acknowledgement**

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## **Business Plan to Establish a Dance Studio**

## **Podnikatelský plán pro založení tanečního studia**

## **Souhrn**

Cílem této diplomové práce je vývoj podnikatelského plánu otevření tanečního studia v Moskvě, které nabídne široký spektrum služeb jak sólových tak párových tanců. Diplomová práce obsahuje přehled literatury o podnikatelském plánování a jeho přispění do úspěchu nového byznysu. Autor dělá akcent na problém ženského podnikání a příčiny úspěchu a fiaska ženského podnikání. Podnikatelský plán obsahuje podrobnou analýzu současné situace na trhu tanečních služeb v Moskvě a také má marketinkovou analýzu, analýzu finančního plánu a analýzu rizik byznysu. Na základě provedeného tržního průzkumu je patrně, že současné ekonomické podmínky, trh a zvolené místo jsou příznivé pro zahájení nového byznysu, ale pro realizaci projektu potřebujeme další detaily plánování

**Klíčová slova:** Podnikatelský plán, podnikání, ženské podnikání, strategie, start-up, marketinková analýza, nový (vznikající) byznys, SWOT-analýza, taneční studio, podnikání v Rusku, podnikání v Moskvě, byznys v Rusku, byznys v Moskvě.

## **Summary**

The aim of this thesis is to develop the business plan of opening the dance studio in Moscow, that would offer the wide range of services, including both solo and partner dances. Thesis includes the literature review of the necessity of business planning and its contribution to the success of the nascent business. The additional attention is paid to the problem of women entrepreneurship and reasons of failure and success of female businesses. The business plan contains the comprehensive analysis of the current situation on the dance services market in Moscow, as long as marketing, financial plan and risk analysis of the business. Thus, the current economic conditions, the chosen location and market are quite favorable for starting up the new business, however the further in-detailed planning is required to realize the project.

**Keywords:** business plan, entrepreneurship, women entrepreneurship, strategy, start-up, marketing analysis, nascent business, SWOT analysis, dance studio.

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## **CHAPTER 1. Introduction**

Nowadays, in terms of the tough competition and highly volatile external environment, the success of the nascent business depends on many factors, both internal and external ones. One of the most debatable issue in the related studies, actually, is the necessity of the business planning. Though the majority of researchers are convinced in the positive impact of the business plan preparation, there are also many studies, including empirical ones that support the opinion that the business planning does not contribute to the nascent business success and even could be harmful, diverting from the real business opportunities and making the entrepreneur less flexible.

Nevertheless, the importance of the preliminary planning and analysis seems to be obvious: what is most important, the business plan helps to understand whether the idea is worth to be implemented. In other words, the preliminary planning allows both taking the opportunity or prevent the entrepreneur from unprofitable investments. Therefore, the high quality of the business plan, including the precise and comprehensive analysis and the reliable information, plays the significant role. The effective business plan should not undermine or miss the existing opportunities, nor underestimate the possible risks.

This means, that the business plan is the main tool of the internal control and strategic planning that help the entrepreneur evaluate both advantages and disadvantages, strengths and weaknesses, opportunities and threats. The properly developed business plan is important not only for the internal use, but also for the external users, such as banks, investors and other stakeholders. Therefore, the information provided should be reliable and allow making appropriate decisions both for business owners and for the potential investors and partners. Integrity and fairness could be the positive indicator of the founder's competence and intentions. For example, business plan that contains overestimated financial forecasts not just could mislead the entrepreneur and cause the financial loss, but also could seem deceptive for other stakeholders, that could lead as far as reputational loss for the nascent entrepreneur.

The business planning is especially important for small enterprises, as such businesses has the lack of resources and options to choose, therefore every mistake and misestimating could be fatal for such business.

That is why this research would start with the comprehensive literature review of the recent studies, paying attention to every issue mentioned above. Briefly, the issues that would be analyzed include:

- the necessity and importance of the developing the business plan;
- main principles and aspects of the business plan development;
- the information to be included in the business plan.

In addition, another issue to be discussed is the gender differences and their influence on the business success, as the opinion exists that the female business in general less effective and sufficient than those founded by men. Thus, this study would also analyses the associated empirical researches, and in the case if the women enterprises indeed are less successful, the reasons of such underperformance would be analyzed.

These findings, actually, has the practical importance and would be implemented during the business plan development. The chosen industry of starting up the business is the dance services; particularly, the business plan would be developed for the opening the dance studio in Moscow. The studio is proposed to offer various services, including both classical and modern dance styles, sole and partner dances, as long as another related services. Besides the personal endeavor and the passion of the owner, the main reason of such choice is the comparatively low entry barriers and increasing population of the dances and healthy and active lifestyle in the country on the one hand, and the lack of the dance schools in Moscow, considering over 13 million population of the city. Thus, according to the preliminary suggestions the unsatisfied demand is currently exists on the market and therefore this opportunity should be exploited.

Finally, as the main aim of the business planning is to determine the appropriateness of the starting the business, the conclusions would be made based on the market and financial analysis included in the business plan. If the idea would be an appropriate one the father actions would be suggested and specific recommendations would be given. If the business plan would show that the business is going to be unprofitable, the alternative options would be recommended.

Thus, this research consists of the five main sections. The first section states the main aim of this work. The next section determines the specific objectives that should be completed in order to achieve the stated goal. The third sections explains the methodology of the research. The next three sections contain the comprehensive discussion of the issued mentioned above. Particularly the third chapter includes the analysis of the recent studies associated with business planning, factors of the start-up success and failure, the aspects of business plan development etc. The next, fourth, chapter represents the practical implementation of the theoretical findings, in other words, it contains the comprehensive business plan. Finally, the fifth chapter, would discuss the results of the analysis conducted during the business plan development and contains the recommendations for the further actions.

## **CHAPTER 2. Aim, objectives and methodology**

### **2.1. Aim and objectives**

#### *Aim of the research*

The aim of this research is to develop the comprehensive business plan in order to analyze the possibility and appropriateness of starting a dance studio in Moscow, as long as to determine key parameters for the plan's successful completion.

In order to achieve this aim the sound theoretical background should be used in the research, therefore the first part of the paper include the overview of the related literature, including the importance of business planning, main features and content of business plan that would contribute to the new business success. Keeping in mind the reasons of writing the business plan would allow focusing on the most essential parts that should be included in the business plan, as one of the main source of communication with actual and potential stockholders, such as creditors, investors, suppliers and clients. In other words, business plan is an instrument that gives the opportunity to demonstrate entrepreneur's abilities, capabilities and quality of nascent business. Though planning and prediction never could be exact, the business plan should contain only actual, real information and appropriate analysis, not biased by over-optimistic attitude of an entrepreneur or any other personal factors. On the other hand, the business plan is important instrument in the decision – making process, as the analysis might even show that the entrepreneur would better off rejecting the starting up the business, rather than suffering huge losses later.

Thus, briefly, the aim of the developing the business plan for the dance studio is asking the question, whether is it appropriate to establish the business in current economic, social and legal environment, with given sources and capabilities (internal use); if yes, the appropriate presentation to the potential stock holders (external use).

#### *Objectives*

1. Make a comprehensive overview of the recent literature related to the issue discussed;

The literature overview would include both theoretical and empirical researches that analyze the importance of business planning, the crucial factors that affect the persistence and success of the nascent, the content of business plan etc. Actually, the topic is widely discussed; however, there is still no single opinion regarding the influence of business plan preparation on the future business performance. The overview would include the arguments of both critics and advocates of business planning.

2. Analyze theoretical background of the business plan development, determine the importance, main principles and stages (including financial plan, marketing, executive, organizational etc.);

This part of the study would include the comprehensive analysis of the business plan preparation process, discussion of essential parts of business plan, the methods of data collection and analysis.

3. Describe the business to be opened, the peculiarities and environment;

This part would include the description of the market in general, and macroeconomic conditions essential for the opening the business, including the competition, demand and other factors, and particularly the business specifications, such as rationales of establishing the business, competitive advantages, the market entry strategy etc.

4. Develop the business plan using the concepts and principles discussed in the previous chapter;

The business plan would include the assessment of the environment, proposed organizational structure, marketing strategy and financial forecast.

5. Analyze the appropriateness and profitability of starting a business, make conclusions.

This section would contain the recommendations regarding the appropriateness of starting the business, based on the analysis conducted in the business plan. If the plan would prove that the new business is profitable, the possibilities of presenting the business plan to stockholders (investors, creditors) would be discussed.

## **2.2 Methodology**

Methodology of research in the thesis includes literature review, data collection, sampling, classification and systematization, summarizing, deduction, logic and scientific analysis. These methods, particularly the last one, would allow to determine the importance of business planning and the essential parts of business plan collect the necessary data crucial for the prediction of macroeconomic situation; moreover these methods will be used in clarification of financial plan definition and implementation of appraisal methods.

## CHAPTER 3. LITERATURE REVIEW

### *The importance of business planning*

New venture is always attracting much attention and business plan is probably one of the most crucial part in the process of establishment the new company. Business planning is important not only to owners, allowing them to assess different aspects associated with new venture, such as marketing, financing, forecasts, and thus making the most appropriate decision; but also to the potential investors. The reliable, clear and persuasive business plan could attract more financing that, in turn, contributes much to the future success of the venture.

Not surprisingly, business planning is one of the most discussable and, at the same time, debatable topics among researchers and business peoples. Nowadays, actually, many of them converge in the opinion regarding the importance of business planning, but initially, the experts that were concerned that business planning gives little advantage to the new venture prevailed. Some researches even claimed that business planning could be harmful for the creation process. Thus, Bhide (2000) suggested that new entrepreneurs have not to devote many efforts on business planning and instead focus on opportunistic adaptation. The author claimed that the founder of new venture, just entering the market is limited in time and information, usually has no experience in this sector, to make proper research and planning, therefore business plans are useless for them. Instead, they should adapt and adjust to anticipated problems and opportunities; business planning is just a waste of time and money and could even distract from real opportunities. Bhide (2000), actually, supported the common view expressed, for the example, in the research of Carter, Gartner and Reynolds (1996) that insisted on that instead on planning, researching new venture should focus rather on real actions, such as buying an equipment and facilities, promoting and marketing, searching the external financing etc. Thus, these researchers determined four main explanations why business planning is harmful for the new venture:

- 1) Business planning is taking time away from the actual activity (such as buying equipment) that is more substantial indicator for other participants of that business is real indeed;
- 2) In the case of mistake, the founders have limited downside risk;

- 3) The absence of planning leads to better relying on intuition and therefore, to better flexibility;
- 4) The business environment is changing too fast and too unpredictable, therefore planning is worthless;

However, at the same time, there were authors argued that proper business planning is quite important especially in small and entrepreneurial firms (Matthews & Scott, 1995), and companies, conversely, have to be able to plan in “such a way that costs are minimizing and knowledge is maximizing” (McGrath & MacMillan , 1999).

Delmar and Shane (2003) also argues that these suggestions against business planning contradict the principles of organization theory, that states that planning before taking actions is crucial for making quality decisions, thus facilitating the creation of new business. Authors refer to the earlier works of Ansoff (1991), Locke and Latham (1990). Thus, both researches came to the conclusion that planning, goal setting has direct correlation with the successful completion of the goal (Locke & Latham, 1990) ; the planning is a crucial precursor as it creates a framework within the further actions take place (Ansoff, 1991).

Therefore, motivations that directed by exact goals were acknowledged as a crucial factor in shaping entrepreneurial intentions (Krueger, 1993). Moreover, theoretical assumptions state that the more challenging and more specific the goal, the better task performance. Besides the goal setting theory, which mentioned works referred to, another rrelated theory is the theory of planned behavior. According to this theory, behavior is determined by both incentives, motivation and abilities (Ajzen, 1991). The creation of new business is driven by intrinsic extrinsic goals. The first group includes externally driven motives, such as financial reward, economic wealth(Boyd & Gumpert, 1983) , while the second one includes more personal motives, such as desire of independence, autonomy, the need for achievement (Bird, 1989) etc.

In addition, there is another, alternative theory that promotes the business planning, that is called legitimacy theory and explains the necessity of planning according to legitimacy factors. Legitimacy is important for nascent entrepreneurs as it shows the acceptance and validation by different groups of stakeholders, support from the firm’s environment and social endorsement, that, further, facilitates the access to capital (banks and



investors) and establishing the clientele and customer base, as stated in several studies (Suchman, 1995; Aldrich & Ruef, 2006). Thus, according to the theory, the new ventures benefit from business planning by conforming to institutional pressures. Therefore, business plans, from legitimacy approach, play signaling and conferring role, demonstrate quality, capability and prestige (Honig and Karlsson, 2004).

These theories are important as they help to understand the impact of the efficient behavior on the new venture creation process depending on the goal specificity. Therefore, as Honig and Samuelson(2013) state, the more institutionalized the behavior or more specific the goal, the more efficient an entrepreneur becomes in adhering to these forces. Thus, the researches mentioned above proved that the effectiveness of business planning increases when goal ( or dependent variable) is more specified, such as

To sum up, the preliminary planning has the following advantages for the new venture:

- 1) Planning encourages the faster decision making, as it allows identifying the missing information without commitment of the resources;
- 2) Planning of the supply and demand of the resources helps to avoid bottlenecks avoiding the waste of too much time;
- 3) Planning allows defining action steps to achieve goals in timely manner.

Thus, Delmar and Shane (2003) made an empirical analysis and concluded that engaging in business planning increases the likelihood of the new venture surviving, and allows facilitating product (service) development and venture organizing efforts. However, authors also add that simple act of planning is not a determinant of venture's success. The content of business plan and the way of its implementation is more crucial for the product development and venture organizing activity. With no doubt, many external factors usually are out of founders' control; however, business planning contributes much to the increasing the possibility of the venture success.

Another empirical research (Brinckmann et al., 2010) came to an important conclusion regarding business planning in SME's. Authors find out that business planning makes significantly greater impact on performance in established small companies than in "newer" ones. The newer firms were defined as being existed for eight years and less, while

established – more than 8 years. Though some information regarding the age of companies were partially inexact, therefore the question regarding the necessity of business planning in nascent firms remained unanswered in the research, the general relationship was determined. Thus, in general, in younger companies the effect of business planning is weaker.

One of the recent empirical studies (Honig & Samuelson, 2013), that tested the process nascent business planning and creation in Sweden, showed the business planning has positive influence on the persistence during the new venture creation. Persistence, however, does not mean the inevitable success of the new business. In addition, this study supported both goal setting and legitimacy theories, mentioned above.

To sum up, actually, majority of empirical researches remain inconclusive regarding the effect of business planning on the future success of nascent companies. Some of them proved that entrepreneurs that conducted preliminary planning are more persistent than those who had not planned (Delmar & Shane, 2003; Gartner and Liao, 2006). Other researchers, such as Tornikoski and Newbert (2007); Brush et al.(2008) did not find any evidences of positive impact of business planning on the company performance. Honig and Karlsson (2004), that used the same database as Delmar and Shane (2003) but the different approach, found only marginal effect on the business persistence.

#### *The content of business plan*

As many researchers had converged in the opinion of the importance of business planning, there are many studies focused on the concepts of preparing the successful plan, as highlighted above, that the content is more important than merely the act of planning.

With no doubt, business plan is an important management tool that is supported by the fact that more 10 million business plans globally are written every year (Gumpert, 2002). Thus, in general, business plan is an important document that reveals the actual situation, the new venture prospects and the vision of how these prospects would be implemented in practice. Business plan also could be defined as a written outline that analyses all aspects of future business viability and its aspects (Zakova, 2011).

Kraus and Kauranen (2009) define business plan as written or formal documentation of SME's strategy and strategic planning. Moreover business plan is:

- mean of communication with external stakeholders;

- mechanism of internal control;
- important factor of actual foundation of company and the further strategic planning and growth;

Thus, authors emphasize the role of business plan not only on the preliminary stages of the new venture creation, as a source of important information for potential investors and partners (and other stakeholders), but also in the consequent development of the new company.

Moreover, during the preparation of business plan an entrepreneur becomes more conscious regarding the available business instruments and the assumptions of the venture's success. Thus, in some cases, after developing the business plan, particularly the financial part, an entrepreneur might find out that the business is not profitable and it is better not to go into business at all. Authors, therefore point that during the pre-start-up planning process this could be treated as a most positive outcome.

In addition, authors point on the 'signaling effect' of the business plan: in other words, the existence and the quality of business plan shows the entrepreneur's attitude towards business planning. For example, the empirical research conducted by Herriot and Campbell (2004) shows that the probability of actual business foundation is on average six times higher among entrepreneurs that prepared business plans, compared to those entrepreneurs that did not write any business plan. Another empirical research also proves the positive correlation between business plan preparation and the business success of SME in different countries, such as the US (Liao & Gartner, 2008), Germany (Schulte, 2008) and Austria (Kraus & Schwartz, 2007).

So, business plan is one of the most important instruments of strategic management in young SMEs. However, actually, business planning in SMEs often deviates from the management's ideal picture of rationality, and the planning process is usually rather sporadic, unstructured and incremental, because of lack of time, resources and entrepreneur's personal attitude towards formal planning. Therefore, among SME's writing a business plan is still a rare practice. For example, in the already mentioned research among 468 young Austrian SME's only 29.5 % prepared a business plan.

Honig and Karlsson (2004) also defined business plan as the document describing the strategy of enterprise, including strategy's content and process. In other words, business plan is the vision of an entrepreneur on a new business and the way he or she is going to attain this vision.

Business plan helps to set priorities and refine goals, identify risks, and prepare for threats and opportunities. Moreover, business plans are important source of information for the potential investors: banks, venture capitalist and so-called angel investors; business partners and managers. Business plan gives the possibility to demonstrate skill, abilities and sources to realize business idea (Fiore, 2005).

Before discussing the process and essentials of business planning, it is important to note the purposes of the new venture creation. Every business, both established and projected, should have one main goal: the increase in wealth of its shareholders. Therefore, the first and main question that the founder should answer is whether this business would be able to satisfy interests of shareholders. Then, the founder should define how many capital is required to develop the business and in which way these funds would be utilized, and (that is especially essential for external users of information) in what period the return on investment could be realized.

Comprehensive business plan includes three parts – business overview, marketing strategy and financial business plan. These parts can be further subdivided into smaller paragraphs: summary review of the plan, description of the business, market survey, competition valuation, research and development, management in the company, operational structure, financial data.

Business plan identifies the well-known form of different ideas and offers business presentation that contains detailed information about production, sales and finance performance of the entity. Also it should include prospects, conditions and types of collaboration between project initiator and other parties that are taking part in the project: partners, investors, consumers and rivals in order to achieve socio – economic goals of business project.

However, these details or too much 'numbers', as Sahlman (1997) argues, are not crucial for successful presentation of the business. The authors call the detailed month-to-month projects no more than 'act of imagination'. This, however, does not mean that the

numbers should be eliminated at all; by instead the author advises to focus more on the following four independent factors that are critical in the new venture creation, that business plan should contain:

- 1) The People. Besides the team directly involved in the business creation (founders, managers) this information should include the outside parties, providers of sources and services, such as main suppliers, lawyers, accountants etc.
- 2) The Opportunities. This is one of the main sections, containing the profile of the business itself – what it would sell and to whom, whether it is able to grow and how fast, the main economic indicators and what are the obstacles on the way to its success.
- 3) The Context. This is the broader information on the business environment and economic conditions in general, such as existing regulations, inflation, interest rates, demography etc.
- 4) Risks and rewards. The identifying the possible positive and negative outcomes and how the team could respond to them.

#### *Factors affecting the success of the new entrepreneurship*

Thus, the properly developed business plan plays an important role in the success of the future business, allowing entrepreneur to analyze all advantages and disadvantages of the business idea and make the appropriate decision. Nevertheless, even comprehensive and proper business plan, obviously, is not the only factor of success. This section contains the brief discussion of some peculiarities of setting up the new business that have the practical value in the developing business plan and starting up the business. The particular interest of author is drawn to the effect of gender difference on the new business success. Thus, in the research literature exists the opinion that women entrepreneurship in general is less successful in terms of sales, income, employment and the further growth, that is supported by empirical studies (Loscocco et al. 1991, Rosa et al. 1996).

For example, the study focused on German start-ups revealed that female-founded firms were worse in all indicators, including sales and growth, human capital, team size, entrepreneurial motivation (Gottschalk and Niefert, 2009). The researchers found out that women who starts the business has the comparatively lower level of the formal education and the lower experience, and usually the part of the smaller start-up team, that might be

the major factor of female businesses underperformance. Other peculiarities are that women usually choose the retail and service industries and rarely the high-tech industries and in most cases are driven by necessity. These factors however could not be claimed as the reasons of the comparative underperformance, because, for example, retail sector overrepresented by female businesses has always shown high then average sales. In addition, being motivated by necessity rather than by opportunity and working in the smaller team often positively affects firms' profitability. Thus, the authors had not find the differences in profit orientation; however, they determined that women in general are less growth-oriented. In other words, the absence of strategic planning is the one of the disadvantages common for women-founded businesses. Indeed, Anderson et al. (2013), analyzing the career ladders of the famous women in the entertainment industry, have noted that the major factors of success include the precise career development plan, long term goals, and the general vision of where they want to go and how to achieve this goal.

The recent studies show that women-owned businesses are smaller than men-owned. the main motivation of the starting the entrepreneurship is the better work and life balance than experienced in other careers, therefore many educated women leave well-paid top positions in order to start their own business. Unlike men, women called their teammate's encouragement as the main motivation factor, as long as a family support. Moreover, Huarng et al. (2012) identified the following factors that affected the success of the business: level of education, the prior working experience, including managerial experience and skills. These findings, actually, are consistent with the previous empirical researches (Gottschalk and Niefert, 2009). This means, that the lack of education and entrepreneurial skills creates considerable challenges to women businesses.

Thus, the women-owned business shows the substantial growth at the beginning, however in general, lag behind men-owned businesses in term of sales, average receipt or employment (U.S. Department of Commerce, 2014). The same study identified the differences in men- and women-owned businesses, including preferences and attitudes, risk tolerance, type of occupation, limited work hours, industry, occupation, and reasons for starting the business. In addition, the study has noted that women are unlikely to seek for external financing because of the felling to be denied. Thus, the existence of the outside funding significantly affects the growth of the business. Indeed, some researches show that women are more frequently faces denies or inappropriate loan terms than men do, that in

turn, undermines the competitiveness of women-based start-ups (U.S. Small Business Administration, 2014).

Thus based on these researches and the examination of the successful women businesses, Foster (2016) has developed the following recommendations for the long-term sustainability of the business founded by women:

1. *Develop the passion for business ownership:* In majority of successful cases owners of businesses noted that the passion was the main driving force in the developing and maintaining the business success. The business ownership gives the satisfaction of controlling and balancing the work and life, earning the money to support family and children.
2. *Create highly efficient and proficient workplace:* this could be achieved by setting strategic goals that would help to grow and maintain the business. The three key factors, including building the business brand, building the financial base and using mentors are the most crucial ones for the successful business women participated in the survey conducted by the author. The practical importance of this finding is the development of special training programs for female entrepreneurs.
3. *Focus on customers and employees:* This adds the business value and longevity. The successful cases shows that all of them are focused on the offering top-notch services to customers in very nice, friendly, and relaxing environment. In addition, the attitude to employees' was also crucial factor of success. This includes both creating healthy and friendly working environment and hiring high-skilled employees.

Though the studies mentioned above has primarily focused on the US women entrepreneurship experience, other works, such as Lituchy and Reavley (2004) show that the business models used by women in different countries (Czech Republic and Poland particularly) are the same as in the US. This means that professionals working in particular have more similarities than differences, disregard of their cultural peculiarities. As for gender differences, none of business women form these countries mentioned gender as a barrier for success (except one respondent from Poland, that said she did not feel the respect in making the contract because she is a women). In addition, like the same researches in the US and Germany, this research showed that the family and friends' support was key determinant in the business success or failure. Nevertheless, though all women interviewed

has strong personal networks and used to hire relatives in the business, dependence on such hiring strategy approach (hiring friends and relatives) is not an appropriate option and put many limitations and obstacles.



## CHAPTER 4. DANCE STUDIO BUSINESS PLAN

### 4.1 Introduction

#### General Information

<b><u>“XXX” Dance Studio</u></b>	
Founder	XXX XXXX
Location	Moscow, Dnepropetrovsk st., 2B
Legal Form	Individual Entrepreneur
Business Description	The dance studio provides dance services for beginners and professional dancers of all ages, as long as ability to rent the dance hall for different purposes: individual training, photo sessions etc.
Services Description	The Dance Studio specializes on the modern dances, (such as hip-hop, break dance, jazz-funk) etc. and classical dances(Latin dances, ball dances), fitness and acrobatic dances, both sole and partner.
Financing	The founder’s own capital

### 4.2 Business and Product Description

#### Business

Considering the increasingly growing popularity of the dance culture in Russia and the population structure in Moscow, were the 61 % of the total population (11.5 million) are in the age from 5 to 49 year, the age of the potential dance studio customer (7+ million total), the demand for the dance services should be relatively high. Moreover, more than half of this population are women (3.56 million), that, usually, are more interested in dances than

man, however, there also significant number of the male customers in the dance schools (particularly in partner dances, break dance, hip-hop etc.).

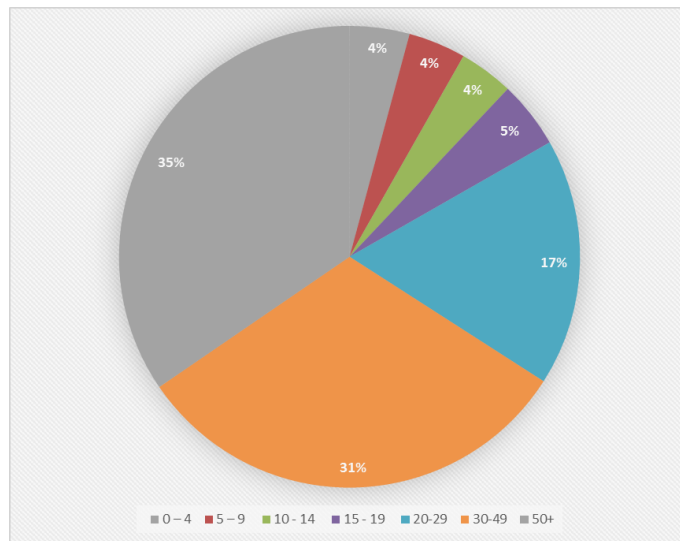


Figure 1. The age structure of Moscow population, 2010.

Source: made by author; data published by Federal Statistical Agency  
[[http://moscow.gks.ru/wps/wcm/connect/rosstat\\_ts/moscow/ru/census\\_and\\_researching/census/national\\_census\\_2010/score\\_2010/score\\_2010\\_default](http://moscow.gks.ru/wps/wcm/connect/rosstat_ts/moscow/ru/census_and_researching/census/national_census_2010/score_2010/score_2010_default)]

Another factor is the incomes of population: in Moscow, the average per capita income is the highest in Russia (except for two oil-extracting regions, located in the north of Siberia) and two times higher than average in Russia. This means, that Moscow is the most lucrative place for the business start-up because of the highest purchasing power of the population in the country (Figure 2).

Thus, the XXX Dance School is going to provide the different services including classical sole and partner classical dances (ball dance, Latin dances), that are still popular among Russians, and the modern and street dances, following the latest world's dance trends. Moreover, the school is going to invite not only the dancers of the “classical” age, that are 18-30 years old, but also those who are younger (from the 5 years) and who are older (40-50 years old and higher, if the demand would exist). The long-term purpose of the Dance School is satisfy every customer regardless his or her taste, age, gender, experiences and physical abilities.

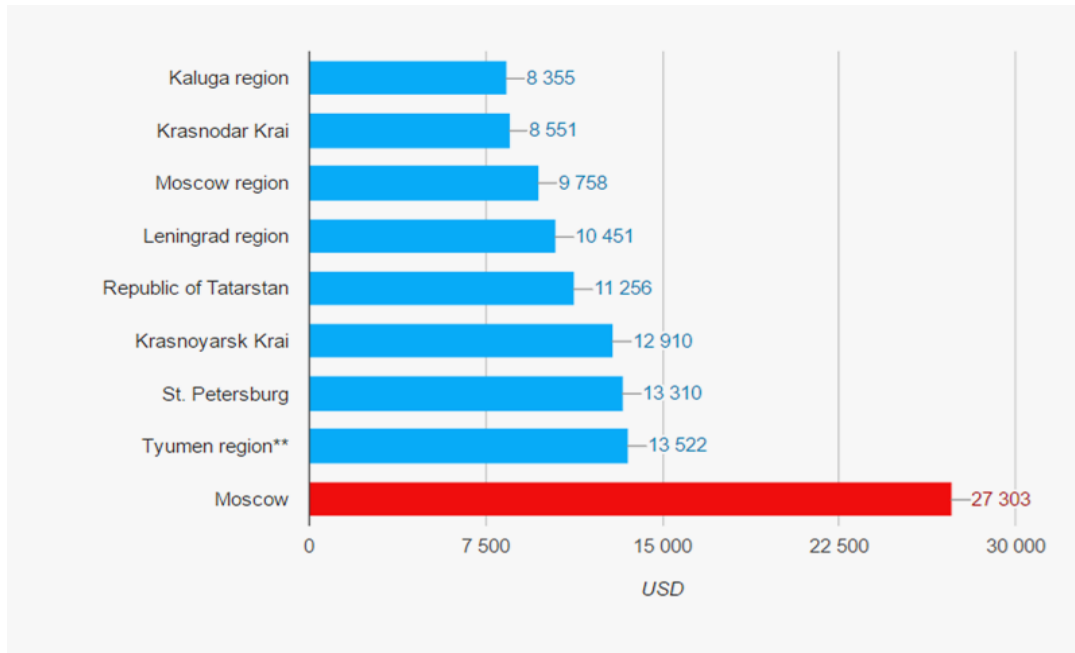


Figure 2. GRP per capita in selected regions of Russia (USD thousand).

\*\*excluding *Khanty-Mansiysk* and *Yamal-Nenetsk* regions, where GRP per capita are actually the highest, because of the low population and high salaries (adjusted for tough north conditions)

Indeed, according to PWC(2014) research, out of seven most dynamically growing countries in the world, Russian capital is the richest one and the GDP of Moscow would reach USD 547 billion by 2025:

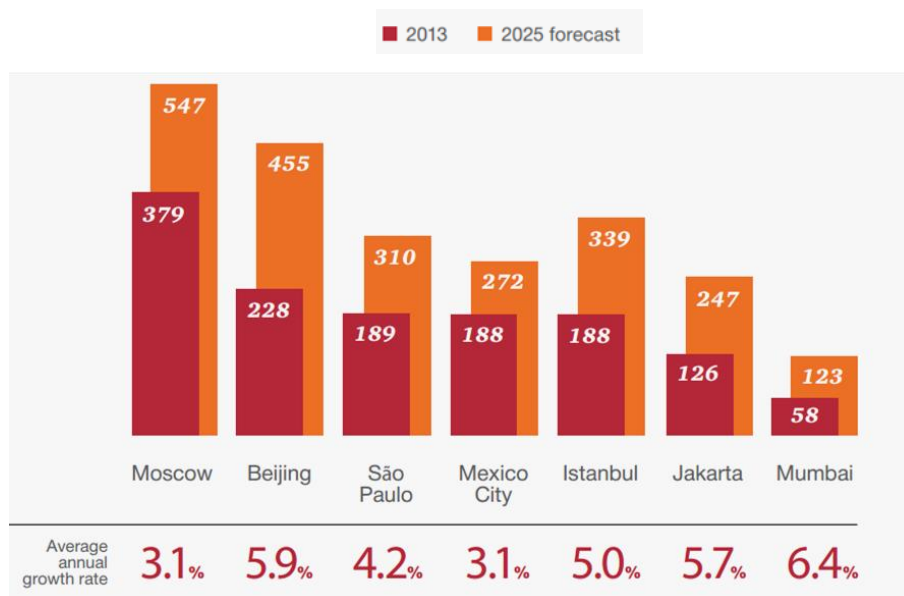


Figure 3. GDP in selected capitals, 2013 and 2025. *Source: PWC (2014)*

The popularity of the school depends primarily on the location (the most popular ones are in the center of the city) and the popularity of the trainers. However, the marketing research (see the section below) revealed that the lack of the schools starts from the 3-4 metro stations from the Moscow metro circle line, while these boroughs are usually the most densely populated. Moreover, the rental payments, which could contribute up to 80 % of the monthly costs, are significantly higher in the center of the city; therefore, this is not the appropriate option for the startup business with limited sources. The extension into the central boroughs is possible after the gaining the appropriate level of experience and popularity, more comprehensive marketing and financial analysis. Another consideration of the choosing the particular place is the proximity of large universities as the source of potential customers (students). Finally, the convenient location was considered as a major factor of the initial success and, though, the rental costs are higher, the dance studio would be 1-3 minutes' walk from the underground station.

Thus, the concept of the start-up is not based on the “minimum costs” principles, because the considerable amounts are planned to be invested in the convenient location and the promotion of the schools. Rather, the main principle is the maximum return from the activity; therefore, the additional services also would be available as the rent of the dance halls for the different purposes, individual trainings etc.

Finally, the main idea of the business is providing the service of the best quality to the customers, that concerns only dance lessons itself, but the comfort, tidy dance halls and other rooms (such as cloakrooms, restrooms, bathrooms etc.) with modern interior and design; the convenient discount systems and so on.

Though, the implementation of this ideas would require significant, but not unbearable, initial investments, in the case of success the payback period could be few months only (See ‘Financial Analysis’ section below) and with no doubt, this success depends heavily on the comprehend research and proper planning presented in the business plan.

### Product Description

As mentioned above, the Dance Studio would provide both dance and additional services. The list of dances to be included in the school's schedule is preliminary, and based on the modern trends in the dance industry. Probably, there would be lack of demand for some styles, or, conversely, excess or unsatisfied demand for the others: the constant marketing overviews would help to adjust the initial list then. Thus, the initial list includes the following dance styles:

#### Classical and Modern Dances

- 1) *Hip-Hop* nowadays is one of the most popular and fashionable styles among young dancers. The dance is a mix of street dances, funk, pop, break and jazz dances.
- 2) *Street Jazz* is a free dance style that includes and combines the best elements of many others styles, such as R'n'B, locking, modern, house, raga, popping and the classical jazz.
- 3) *Contemporary* is the limitless dance style, that gives the broad space for the self-expression and unforgettable impression.
- 4) *House* is a ultrafashionable club dance, which has been acknowledged as one of the most energetic and dynamic dance styles.
- 5) *Go-Go Fusion* – is a very energetic club dance styles that combines the elements of other styles;
- 6) *Reggaeton Fusion* – is a mix of hip-hop and Latin dance, that could be as solo as a partner dance.
- 7) *Popping* – is on of the most existing and unusual styles of the street dance.
- 8) *Belly and Tribal dance* – is an expressive dance style originated in the Middle East and nowadays evolved into the different styles, including the tribal dance, that is currently is very popular among dancers;
- 9) *Ball Dances* – both Latin(Samba, Rumba, Jive, Pasodoble) and European styles (Tango, Foxtrot)
- 10) *Solo Latin Dances and Club Latin Dances* – the mix of salsa, merengue, bachata, cha cha cha, regaetton and rumba in the one dance program.

#### Fitness dances and additional services

- 11) *Zumba* – is one of the entertaining and joyful ways for losing weight the short period. The simple dance style with Latin motives has become very popular among 35+ age group.
- 12) *Stretching* – is an additional lesson aimed at increasing the body flexibility, that is necessary in every dance style;
- 13) *Body make* – healthy and beautiful body, strong muscles are also important for the dancers. The additional program would help them to achieve their higher results.
- 14) *Wedding Dance Lessons*  
Non-dance services
- 15) *Rent of dance halls* – for individual lessons, clip-making, photo sessions and other purposes.

### **4.3 Market analysis**

#### **4.3.1 Dance services market**

Nowadays, the dance services market is a fast growing in Russia, reflecting the increasing popularity of the healthy lifestyle in general, and the physical activity and dances as an essential part of it. Therefore, every year the number of the styles offered in the market is increasing, including the different types of concert dances, folk, ball and modern dances.

The modern dance culture in Russia is comparatively young and started an active development almost 10 years ago. In 2005-2006 such styles as hip-hop breaking, locking and c-walk became popular; later, in 2007, widespread styles were tecktonik, techno and electro dance; in 2011 dubstep was on the peak of its popularity in Russia and as booty dance in 2013. Nevertheless, according to the dance schools' offer lists, the traditional styles also remain very popular. However, some of them had been popular only for the one or two years (such as tecktonic), others remain popular in particular regions. In general, the dance market is very dynamic with new styles constantly emerging, therefore a dance school should be flexible enough and adjust to the modern trends. Actually, the largest influence on the dance trends in Russia are made by American dance culture.

Moreover, the emergence of many entertainment TV shows in Russian television such as "Dances" on TNT, "Dance!", "Dances with celebrities" etc., has contributed much in the promotion of the dance culture in Russia.

In general, the dance schools typical customers could be characterized according to the following criteria: age, income, experience, purposes, physical abilities and lifestyle. The following table represents the deeper analysis of the potential clients of the dance school according to these criteria (Belousova & Borovyh, 2016):

Table 1. Characteristics of Dance School potential customers

Criteria	Characteristics / Segments
Age	4 – 10 – children’s group 11-16 – teenage group 17-22 – young group 22-30 – adult young group 30+ - adult
Income	The analysis of price lists of dance schools in Moscow shows that customers should have higher than middle income
Experience	Beginner Amateur Professional
Purpose	“Beginner” – to become familiar with the dance styles and choose the appropriate one, as long as the experience desired “Amateur” – to become healthier, get the positive emotions, relax “Professional” – to master the dance skills in order to perform and participate in contests, festivals
Physical abilities	Customers with unlimited physical abilities Customers with limited physical abilities
Lifestyle	Active: the desire for the healthy lifestyle, beauty, integrating active physical activity into the everyday life. Dancing gives not

	only the health, but also the entertainment and positive emotions.
--	--------------------------------------------------------------------

Source: Belousova and Borovyh (2016)

#### 4.3.2. Analysis of competition

The competition analysis is one of the most crucial parts of the business plan, as it would help to assess the possibility of the entry on the dance services market in Moscow, determine the unsatisfied demand for the services and, finally, to develop an appropriate marketing strategy of the start-up. The competition analysis includes the characteristics of the of the major dance studios, the segmentation of the customers, services provided, the price policy etc.

##### Dance styles

As the demand for the dance services has been increase over the last decade, nowadays there are plenty of the dance studios, especially in the cities with the high purchasing power. Such studios provides the ability to learn not only classical dance styles (ballet, ball dances, Latin dances etc.), but also modern dances that has not been popular in Russia until recently, such as modern and street dances, such as dubstep, tecktonik, twerk, jaz-funk, contamination etc. Moreover, some studios also offer rare dances, such as historical dances (medieval, renaissance dances) and national dances (African, Indian dances, Russian folk dances). The hybrid types of dances, or so-called fitness dances are also popular. Many schools provides both sole and partner dances.

The market competition in Moscow is relatively tough. According to the information published the specialized web-portal “We love dance”, there are 882 dance schools in the Moscow, the highest amount in Russia. For example, in another large city, St. Petersburg, there are only 178 dance studios. The structure of the services offered by dance schools in Moscow is presented in the table below:

Table 2. The structure of services (dance styles) offered by dance schools in Moscow

<i>Dance style</i>	<b>Number of studios</b>
<i>Acrobatic Dances</i>	68
<i>Historical Dances</i>	39



<i>Latin Dances</i>	346
<i>Partner Dances</i>	207
<i>Modern Dances</i>	459
<i>Sport ball Dances</i>	232
<i>Fitness Dances</i>	172
<i>National Dances</i>	391
<i>Choreography</i>	391
<i>Concert dances</i>	108

Source: made by the author according to the information provided on WeLoveDance.Ru

As the information regarding to the average price is not available, as no researches has been conducted, the average price is determined by analyzing the price lists of several dance studios. The prices varies from 500 rubles (\$8.41) up to 2000 rubles (\$33.67) per hour of the class, the average price is 785 rubles (\$13,2). However, majority of the studios sells the club cards and season tickets, thus the client should pay for the 3-6-12 months at once. Some studios offers the first lesson free. The price policy often includes different discount systems. In addition, dance studios provide additional services, such as rent (for the different purposes), shower, solarium, café, gift certificates etc.

In general success of the dance school usually depends on the several factors, including the location (the nearer to the underground station the better) and the popularity and professionalism of the dance tutor, services provided and price.

The table below summarizes the information regarding the popular dance schools in the Moscow:

Table 3. The popular dance schools in Moscow

<b>Dance Studio</b>	<b>Services</b>	<b>Prices</b>	<b>Special offers/discounts</b>
<b>Daria Sagalova Dance School</b>	All Age groups (From 3 years) Groups for beginners All Dance Styles	500 rubles/lesson	-15 % discount for a.m. lessons -50 % discounts for large families -Rent – 500-700 rub/hour

			-First lesson free
<b>GARD dance school</b>	Hip-Hop Jazz-Funk Energy Dance Diet(Fitness) Performance Wedding Dances	400 rubles/lesson 1500 rubles/individual lesson	-250 rubles/first lesson -sweet shots with the school's logotype
<b>RaiSky Team</b>	Modern and Street Dances	≈ 500 rubles/lesson	-Free lessons at birthday -Discount for the lessons before 3 p.m. and during the working week -Special programs with unlimited lessons for the particular period ("Crazy week" etc.) - Rent 1000-1400 rub/h - Ability to invite dancer to the wedding, celebrations etc. - Clothes and Accessories with the school's logotype
<b>MDC NRG</b>	Modern and street dances (hip-hop, jazz funk, booty dance, vogue) Beginners and professionals Adults and young groups	≈ 375 rubles/lesson	- Rent 500 rub/h - T-shirts with logotype - 200 rubles for the first lesson - Photo sessions – 5000 rub/session

*Source: made by author based on the information from VK.com (the popular social media web-site in Russia). Popularity was assessed by the number of subscribers. Information regarding the price and offers gathered from dances schools official websites.*

Thus, the majority of dance schools are focusing on the popular street and modern dances, as long as provide the additional services, such as photo sessions, performance on the celebrations, and accessories with school's logotype. The competition is considerably tough; however, several options for the market entry and competition exist. They include, particularly, the price competition, the offer of the unique services in the particular location (i.e. meeting the unsatisfied demand) etc.

#### **4.3.3. SWOT analysis and marketing strategy**

SWOT analysis is one of the useful instruments in planning strategy of the nascent entrepreneurship by assessing the internal and external factors, strengths, weaknesses, opportunities and costs. This section contains SWOT analysis for the XXX Dance Studio.

##### **Strengths**

Thus, the first strength of the dance school is its convenient location, that is not far from the center of the city and not far from suburb boroughs. Moreover, the location was chosen were the evident lack of the dance schools exists combined with the high density of the population. One of the preferable places for the dance school locates near the "Yuzhnaya" underground station (south of the Moscow). The density of population here varies from 10 up to 25 thousand people per km<sup>2</sup> (Figure 4). Another advantage of the location is the closeness to the underground station (no more than 5 minutes' walk).

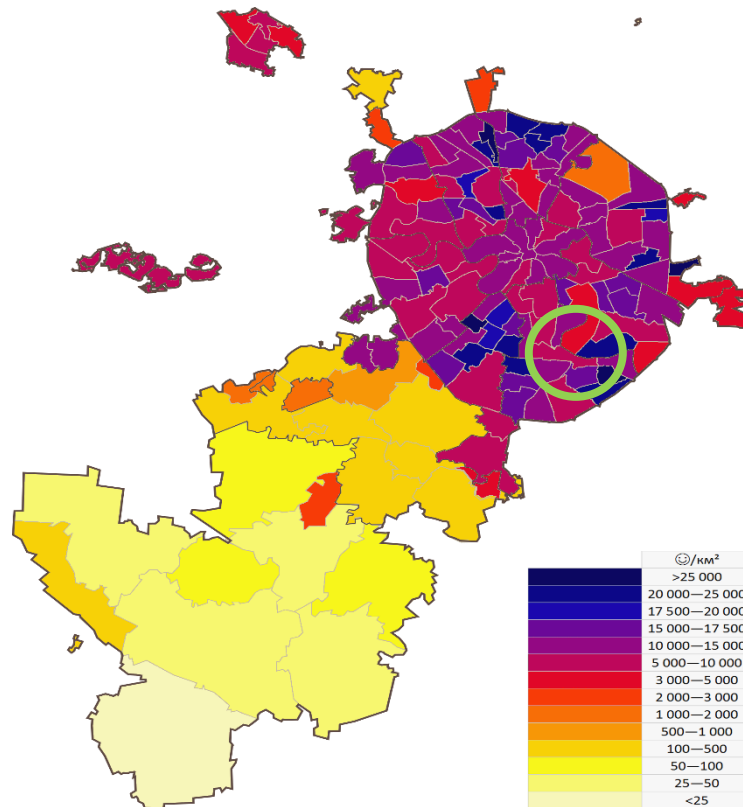


Figure 4. Population density of Moscow (the probable location of the dance studio within the green circle)

So, this location would be convenient both for those who lives in center, and for those who lives in the suburbs and also for those, who lives in the Moscow region. On the other hand, the rent is considerably lower than in the center that gives the possibility to set the lower prices. The table below represents how the average rent prices varies depending on the closeness to center (keeping the other factors equal):

Table 4. The cost of rent in Moscow depending on the closeness to the center

Stations to the center	Rent payments (rub/m <sup>2</sup> ) per month
1	9091
2	2978
3	2700
4	2182
5	1882

6	1400
10	843

*Source: calculated by author as the average rent price based on the analysis of advertisements from the popular advertising portal Avito.ru*

In addition, another consideration was the closeness to universities, as there always many students among dance schools' visitors. Thus, the almost 20 universities near the chosen location might be another source of unsatisfied demand. Moreover, if the majority of the dance school customers would be students, it is crucial to develop low-price policy that is possible because of low rental payments.

These factors all contributes to the strength of the location, especially considering the potentially unsatisfied demand in the borough with only four dance schools and none of them is near the underground stations (Figure 5) .

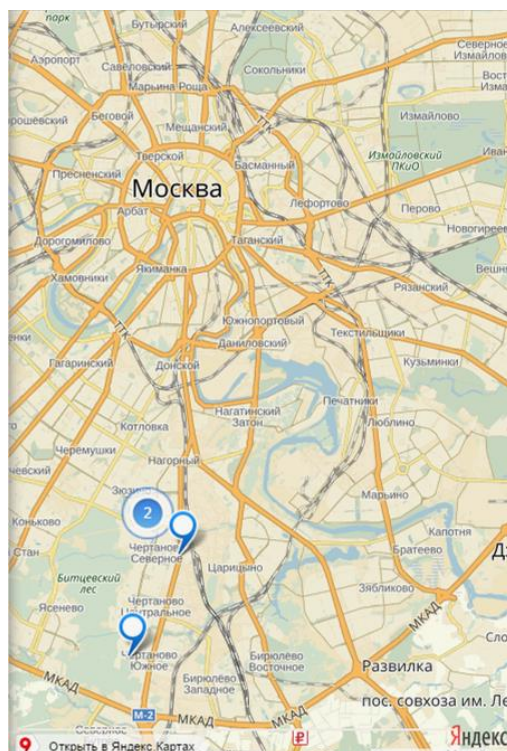


Figure 5. The lack of dance schools in the chosen borough

*Source: WeLoveDance.com*

The second strength of the dance school is the variety of styles and services (see Product Description section above). The choice was made basing on the overview of the latest trends in the dance industry and majority of dances included in the list are very popular nowadays, therefore, considering the appropriate promotion, the demand expected to be high. Though, as the target group is the young people, students, the lessons would be available for the older ages too, both for beginners and professionals.

Another potential strength is qualified and talented tutors. In the dance business, the popularity of the school depends considerably on the popularity of the tutor. However, as the budget of the strat up is limited, there is no possibility to invite the well-known professional dancers. Nevertheless, the high attention would be given to the recruitment part in order to find and employ talented and charismatic tutors, even without the large experience.

### Weaknesses

Though the location is convenient for those who lives in surroundings areas, the large distance from the center would be the significant factor for those, who live on the other side of the city. Considering the total amount of 882 schools in the Moscow, the competition is tough enough. Another weakness is that the Dance Studio is a new to the market; therefore, it would take significant efforts and time to promote the Studio and prove the high quality of the services.

### Opportunities

Despite the tough competition, the large population of Moscow, were incomes are higher than overage, the increasing popularity of the dance culture provides great opportunities for the start up business.

Particular, the first opportunity is appropriate promotion of the Dance Studio. This includes the well-designed professional web-site, the necessary presence in social media such as VK.com, Youtube, Instagram, contextual advertising and traditional forms of advertising (banners, leaflets). The particular attention should be paid to the work in social

media, that is not just a way to advertise, but also to receive the feedback and determine the current demand for particular services.

### Threats

The main threat is obviously the high competition. Though majority of dance schools is located in the center of the city, customers might prefer the prestigious to the price. Another threat is a threat of new entries, as the market is open to the new entrants, as new particular licenses or other special requirements. Finally, the risk of the low demand could lead to the lack of revenues and as a result, huge losses, especially in the case of significant initial investments and use of the external sources of financing (bank loans). The financial analysis would help to assess exactly the breakeven price and the minimum amount of visitors to cover the expenditures.

The results of the SWOT analysis is briefly summarized in the table below:

Table 5. Dance Studio SWOT analysis

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Convenient location</li> <li>• High variety of services</li> <li>• Qualified and talented tutors</li> </ul>	<p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>• Far from the center</li> <li>• New to the market</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• appropriate promotion and advertising, including social media</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>• Tough competition</li> <li>• Threat of new entries</li> <li>• Low demand</li> </ul>

*Source: made by the author*

#### **4.4. Financial Analysis**

Financial analysis is the next major part of the business plan. Financial analysis would help to evaluate the amount of initial investments required, the necessity of external dancing and the appropriateness of the accepting the project in general. Moreover, financial

planning allows determining different options and choosing the most profitable one (if any). The current financial analysis is based on the suggestion that the owner has 500 000 rubles of the own capital; will run the business as individual entrepreneur (so there is no administrative costs such as accountant, separate office).

The first part of the financial analysis includes the proper assessment of the initial investments. These cash outflows includes rental payments for the first month, advertising and promotion, dance tutors recruitment, buying the necessary equipment (such as music center, mirrors, benches and seats for the cloakrooms, decorum, the furniture for the reception etc.), registration fees. These spending are presented in the table below:

Table 6. Initial investments ( preliminary and first month)

Item	Amount (rubles)
First month rent payment (200 m <sup>2</sup> )	168 600
Advertising and promotion	50 000
Music center and mirrors	50 000
Other equipment	60 000
Recruitment (first month salary) 3 tutors * 20 000 per month + administrators (25 000)	85 000
Registration fees	4 500
<b>Total</b>	<b>418 000</b>

*Source: made by the author based on information from price lists*

Thus, in order to start, the owner should rent the premises, make it up and prepare for the first clients (clean, install the equipment, hang the signboard(s)). Simultaneously, the web-site and pages in social media should be created and promoted (supposed ways of advertising is leaflets, context advertising, advertisement through the student organizations in the nearby universities, targeted context advertisement, and promotion in social media). The next step is find and recruit tutors. The supposed initial number of tutors is three (one for each direction – classic dances, modern dances and fitness), then, depending on the actual demand, the additional tutors could be hired. In addition, at least one administrator is required to manage the work of the Dance Studio (meet the visitors/receive calls, help to choose the appropriate course, time, make the schedule for tutors, collect revenues etc.).



Finally, another necessary payment is registration fees for the individual entrepreneur (registration in the Tax Office, opening the bank account etc.). Without these procedures, it would be impossible to run business and make an agreement with property owner.

Thus, total initial costs are within the initial budget, and no external financing is required to start the business. However, the remained liquidity cushion (500 - 418 = 82 thousand rubles) is not high. This means, that in the case of unexpected additional expenditures (for example, if tutors would require the higher salary) the bank loan might be necessary.

In addition, the accounting (salary and tax calculations, bank payments, reports) would be made by the owner. This would allow not hiring an accountant and saving money, and be constantly aware of the state of business. Therefore, the legal form of the individual entrepreneur has been chosen, as there is minimum accounting requirements (only one income report to once a year, simple tax calculation procedure etc.).

Actually, the monthly expenditure except some one-off payments (equipment, registration), and plus taxes (personal taxes (31.1 %), including pension and health insurance payments, should be paid monthly and income tax (6 % of revenue or 15 % of income) should be paid quarterly; in the break-even analysis income tax is not suggested ). The table below represents the average monthly payments in order to determine the breakeven point – the minimum amount of customers per month to cover all expenditures. The break-even analysis presented in the table below is based on the suggestion that the price per lesson would be lower than the average price determined during the marketing analysis, 400 rubles per lesson.

Table 7. One month break-even analysis

Expenditure	Amount (rub)
Rent payment	168 600
Electricity	5 000
Salary	85 000
Salary taxes	26435
<i>Total expenditure</i>	<i>285 035</i>
Price per lesson	400

Minimum number of customers/per month	712
Minimum number of customers/per day (average)	24

*Source: made by the author*

Thus, break-even analysis shows that the Dance School should have at least 712 customers per month, and in average at least 24 customers per day, that is, considering the appropriate promotion is an achievable goal.

#### **4.5 Risks Analysis**

There are, however, several risks to be considered and the appropriate actions should be taken to minimize the risks. These risks include:

1) The risk of insufficient demand;

The risk of insufficient demand might occur if the number of customers would be lower than the determined break-even point (712 per month –this does not mean, however, 712 people, but 712 attendances instead, as usually learners visit the school 4 and more times per month). The risk could be high as a result of inefficient or low promotion and advertising, wrongly chosen place, low quality services, lack of competitive advantages and finally, because of the low purchasing power (in the case of economic recession, for example)

2) Risk of the underestimated or hidden costs;

All calculations made above are based on the market prices and analysis of different public advertisements and price lists. However, the identified prices might be actually be higher (for example transportation costs for equipment), the hidden costs associated with premises (additional payments, the necessary repairs unnoticed before the agreement).

3) Risk of the business inefficiency;

This risk particularly, might be as a result of the previous two risks, but also could occur because of the poor governance. Therefore, in order to minimize the risk the current business plan should be properly assessed, elaborated and implemented.

4) Risk of low motivation/professionalism of tutors and other employees;

The risk of employment of unmotivated or non-professional staff could be also high, therefore, a lot of attention should be paid to the recruitment process. Such measures as probation period, the free master classes (in order to assess the customers' perception regarding the particular tutor) might be considered to minimize the risk.

5) Risk of high competition.

Actually, this risk is constant on the market, therefore the company should work hard on the quality of services, in order to increase the number of loyal customers (discount systems, gifts, bonuses, organizing social media community etc.), in order to prevent them to leave.

## CHAPTER 5. RESULTS AND RECOMMENDATIONS

Actually, the main aim of this thesis is to develop the business plan in order to answer the question: Whether the business idea explained above is viable one? Thus, the two out of the three stages of business development has been completed:

- 1) Developing the idea;
- 2) Developing the business plan;
- 3) Setting up the company.

Therefore, the current issue is to determine what conclusions could be made based on the developed business plan? Whether the information that the business plan contains is complete and reliable? What are the next actions of the entrepreneur? Actually, these questions altogether could be mapped on the following figure:

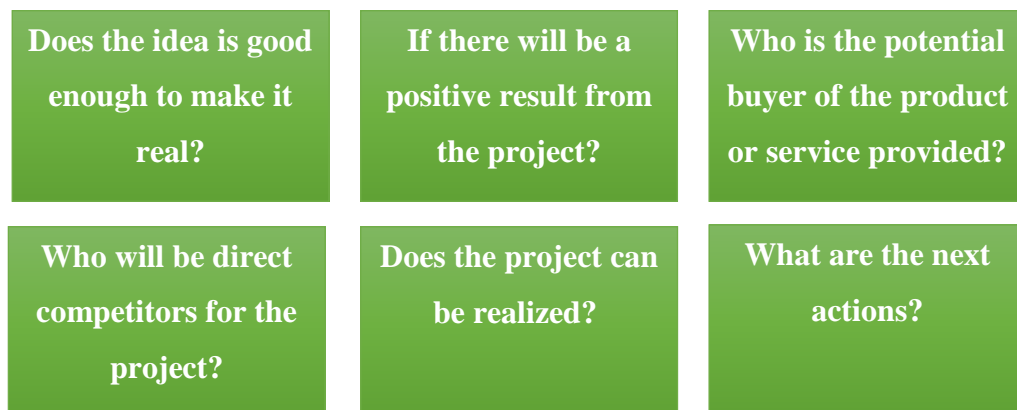


Figure 5. The main question aroused after the business plan development

The main conclusion that could be made based on the analysis conducted in the previous chapter is that the perspectives in the dance industry are very favorable on the one hand, and there is still unsatisfied demand exist on the market. Particularly, the chosen location, Moscow, is the most appropriate one, as the interest for dance classes here is highest. To be more precise, the general estimations says that currently Moscow population is around 12,3 million, and the statistical surveys say that annually it increases by 100 000 people (average). In addition, the Big Moscow project (expanding the territory of the city) suggests that by 2035 the total population would be around 23 million (RBC, 2013).

Actually, Moscow is not only rapidly growing, but also the richest region in Russia, with USD 27 thousand GRP per capita and incomes of population is expected to grow further, according to the official forecasts GRP growth rate is expected to reach nearly 2 % annually by 2019 (TASS, 2016). This primarily associated with the general growth of the Russian economy that is supported by both World Bank and IMF forecasts:

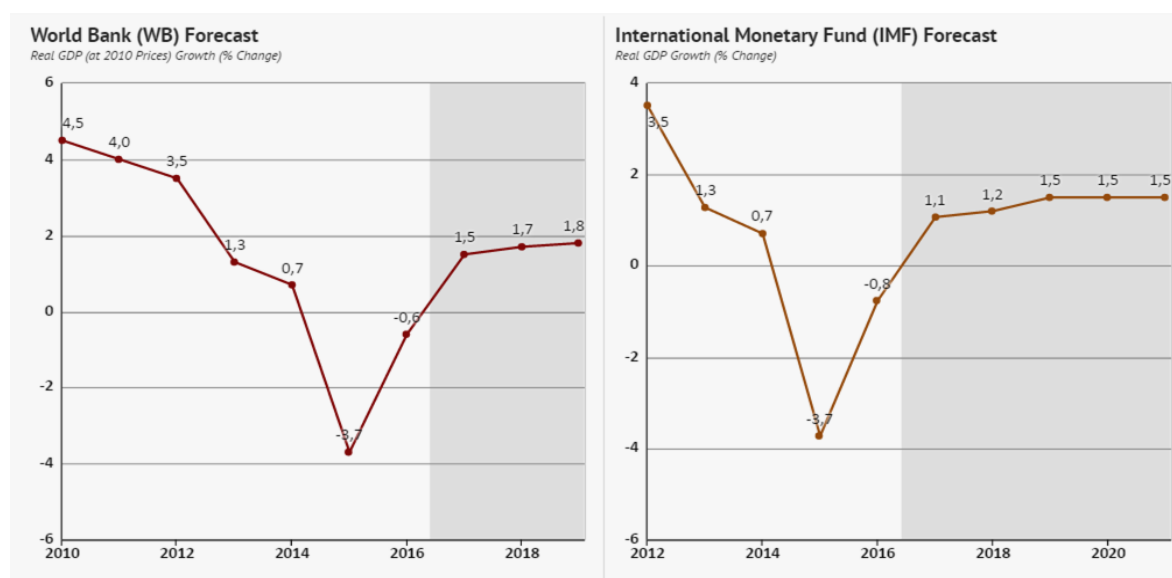


Figure 7. Russian economy growth forecasts (GDP, % change), 2018-2020.

*Source: Knoema, based on IMF and World Bank forecasts. URL:*

*[<http://knoema.ru/mgarnze/russia-gdp-growth-forecast-2015-2020-and-up-to-2060-data-and-charts>]*

Thus, considering the increase in general economic activity in the country, this is reasonable to propose that the incomes of population in Moscow, that contributes almost 20 % of the gross value added in Russia (Figure 8), would increase either.

Thus, these figures imply the bright prospects for all businesses in Moscow in forthcoming years. Considering that the interest for the healthy and active lifestyle is increasing in Russia, especially for dances, as the easy and entertaining way to gain and remain fit, the prospects are also favorable for the dance business. Moreover, the demand is high not only among young women (as the target group for many dance schools); conversely, the popularity is increasing among men and elder population either. Though the popularity for modern dances rapidly increases (contemporary, jazz funk etc.), the interest for traditional dances, such as ball and Latin dances, also remains high.

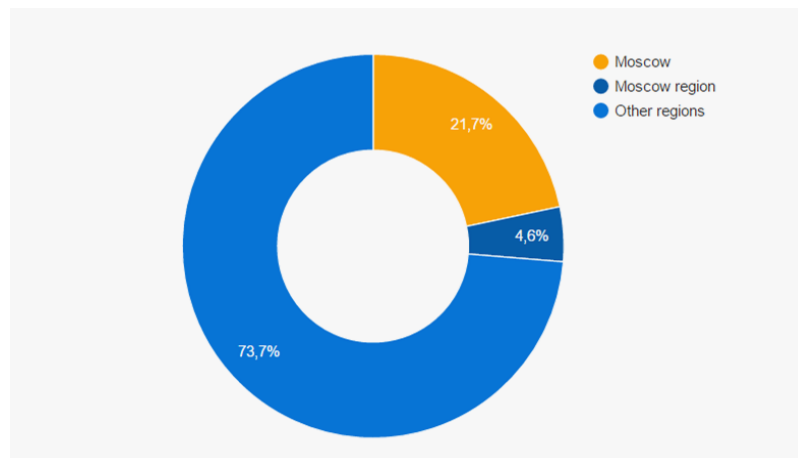


Figure 8. The geographical structure of the gross value added in Russia, 2013.

Source: *Moscow Investment Portal* URL: <https://en.investmoscow.ru/investment/economic-indicators/investment-in-moscow-is-profitable/the-level-and-place-of-economic-development/>

Thus, the main conclusion that could be derived from the market and macroeconomic analysis is that **the right place and the right time were chosen for the starting up the business in the dance industry**. Indeed, business activity in Russia is currently during the upward phase, the favorable economic environment, including low interest rates, low inflation and high purchasing power and demand is critical to the nascent business success. Therefore, the answer for the first question is: the idea expressed in the business plan is good enough to make it real. Moreover, as highlighted in the business plan, the density of population is not match with the density of business schools. Therefore, the exploration of the “white spots” seems to be the appropriate market entry strategy.

The next issue concerns the competition. Actually, Moscow is the city with the largest number of dance schools, however, considering the large population and its demographic structure, the number of schools per target potential customers is not great enough. Considering the absence of the appropriate market researches and surveys, the rough estimations suggest that there are only 882 dance schools per 3.56 million potential customers (young women 15-30 years old), that is 4000 customers per one dance school. Obviously, not all young women are interested in dancing; but suggesting that only 10 % of them are interested, the unsatisfied demand is still considerably high (400 customers per one

dance school). Thus, actually the competition is high, but only in the center of the city, and there is lack of studios in suburbs, where the population density is actually higher. Therefore, this fact also supports the decision to place the dance school in one of such regions (South borough of the region). Moreover, the rent payments decrease dramatically with the increase of distance from the center, that would allow decreasing initial costs and conducting more flexible and customer-friendly price policy. Actually, the chosen location could be not the only option. The following three main principles developed during the research should be kept in mind while choosing other options:

- (1) Mismatch between population density and number of dance schools/lack of variety of services offered;
- (2) The closeness to the underground station;
- (3) The closeness of universities, schools, business and entertainment centers etc.

Thus, if the case the business would show the sustainable growth, other schools could be opened within the forthcoming years. Thus, initially, the direct competitors of the dance school would be dance schools operating in the same boroughs. As these schools have the same cost structure (i.e. rental payments are the same), the low prices could not be used as the competitive strategy. Conversely, the strategy should be based on the quality and variety of the services offered (more dance styles, more additional offers). In addition, though the price competition is not an option, the flexible discount system, including gifts, special offers etc. could be the competitive advantage.

Discussing the next question, particularly the possibility of realization of the project, the financial part of the business plan should be analyzed more closely. Thus, the initial investments are estimated to be 418 thousand rubles, that is around USD 7 thousand. Actually, the amount is not considerably high, and the payback period could be as short as just few month, considering that the estimated amount of customers could be attracted ( 24 customers per day minimum). The initial investments, including the first month costs (rent and salary) are within the budget plus additional  $\approx$  USD 2 thousand cushion. Thus, in terms of finance the project could be realized. The decision to finance the business from own sources is based on two considerations: first, the majority of banks offers for the small business requires at least one year of operational activity and the tax reports approved by the

tax office. This means that gaining the loan approval is almost impossible without credit history or without documents approving the employment and incomes. In addition, considering that cost of financing are very high (around 15 %) and general terms are tough (no more than 36 months, no deferral of the first payment), the bank loan would be the considerable burden for business. Moreover, in the case if the profit would not be considerably high, the insolvency would negatively affect the business.

In general, the project implementation should bring the positive outcomes, as the growth prospects are favorable and demand is expected to be very high. Thus, if at least 24 customers per day would be attracted, the business would reach the breakeven point. However, the certain risks exist, and the major risk is the low demand (because of the lack of promotion, mistakes in estimations etc.), even the business failure could be treated as positive result. On the other hand, 12 % of initial investments are supposed to be spent on promotion; therefore, the target number of customers is an achievable rate, considering other factors, such as convenient location (near the underground station, close to universities and shopping center). Nevertheless, even in the case of the considerable mistakes in estimations or unexpected events that would lead to the business failure this would be very valuable experience in the entrepreneur's career.

Potential buyers or customers are the young women, aged 15-30, that lives, work and study near the dance school. Moreover, considering that the school would offer not only sole, but also the pair dances and also the modern styles that are popular among young men too, the potential customers include this group either. In addition, the dance school strategy suggests providing dance services for everyone, regardless the age, experience, physical training. Though it might not be the best as an initial option, further researches could be aimed at exploring the possibility and of organizing lessons for elder groups and for people with disabilities. Thus, the building the close relationship with customers is very important, and should be stated as one of the main objectives. Indeed, as a literature review suggest (see Chapter 3), the customer-oriented approach was one of the three main drivers of the nascent business success, particularly concerning the women entrepreneurship. This objective could be achieved by active interaction with potential customers in social media, appropriate customer support, flexible and convenient discount system (including gifts, bonuses, special offers etc.). The great importance has the quality of the services provided: modern design of the studio, comfortable classes, cleanliness and many other details.



Thus, as the developed business plan shows that the project is profitable and the idea worth to be realized, the further action plan should be developed. The short-term actions include:

1. The official registration of individual entrepreneur in the tax office (and other agencies like the pension fund, statistical service etc.) , opening the bank account;
2. Signing the contract with the landlord;
3. Buying the necessary equipment;
4. Developing the web-cite and pages in social media;
5. Hiring tutors and receptionist (clean services are usually included in the rent contract);
6. Ordering the print materials (leaflets, advertisement) and signboards;
7. Starting the promotion;

Thus, these are just main preliminary steps; some of them could be conducted simultaneously, associated with the necessity to decrease the gap between signing the contract and the actual opening of the school. In addition, the actual list would be obviously much longer; for instance, the initial price list should be developed, as the dance styles mentioned in the previous chapter would be added gradually, depending on the demand. Moreover, as the first day is one of the crucial ones, the special 'opening ceremony' should be considered to attract as much customers as possible. This should be planned at least a month before the actual opening day, probably even before the registration. In addition, there are many options to be considered within each of the steps starting from the first one( for example which tax system to choose) up to the last one (what are the main ways of promotion, how to allocate particularly the limited budget etc.).

This means, that the business plan presented in the previous chapter give just the general vision of the appropriateness of the starting up the business and there is enough information for making the decision, but not enough for taking the particular steps. Therefore the initial business plan should be further extended and developed, in other words, to be reshaped into the project plan, with actual terms and actions.

Furthermore, the business plan implementation could not be considered as completed after the opening the business. Conversely, the most difficult part of implementation would start just after, as the very close attention should be paid to the customers' perception, preferences, and this is important during this stage to be flexible and adjust the services provided to these needs.

The longer term strategy should focus on the further development and expansion (opening new schools, offering new styles, targeting new customers etc.). As the business would grow, the particular attention would be paid to the creating of the strong staff team, both by attracting well-known dancers and by promoting those without considerable experience (paid professional courses, participation in contests, shows, personal promotion in social media etc.)

Thus, the answers to questions stated at the beginning of this chapter are briefly presented on the following figure:

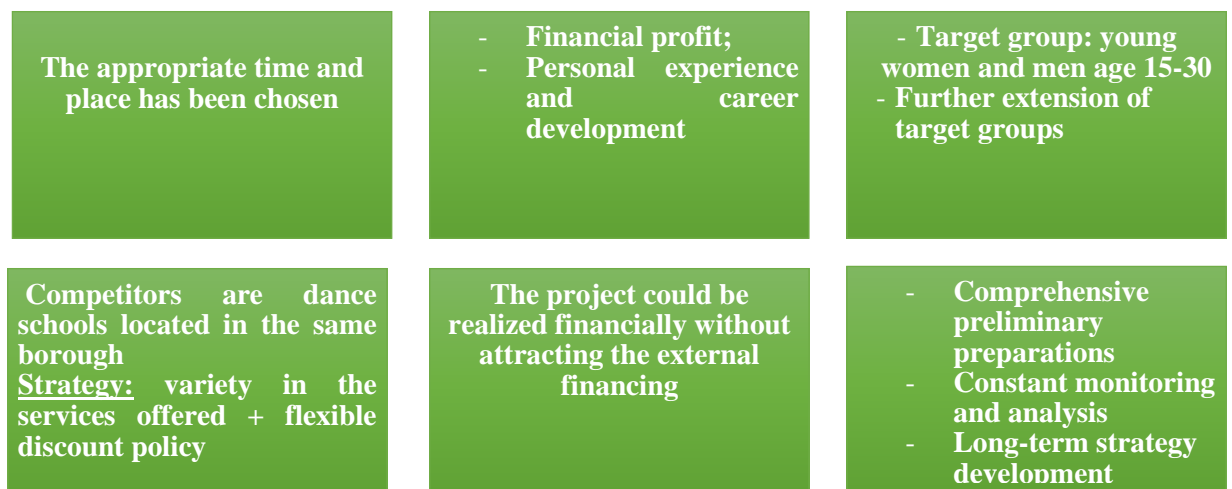


Figure 9. The main conclusions from the developed business plan

Thus the business plan developed in the previous chapter helped to solve the following issues:

- Define the strategic development of the dance studio, considering the market peculiarities and current macroeconomic conditions;
- To develop the general plan of the project implementation;

- Estimate the amount of initial investment, break even point and payback period, that determine the necessity of external financing;
- Develop the promotion plan;
- Determine the key consumers and the services that should be provided;
- Determine main competitors and develop the competitive strategy;
- Reduce potential risks by analyzing market environment (for example, external financing was considered too expensive and risky at the initial stage).

Though the business plan does not contains the in-depth financial or marketing plan and 'day to day' schedule, the aim stated at the beginning of the work has been completed. Actually, the development of the business plan has given the general vision of the peculiarities of the dance services market and showed that currently conditions for starting business are quite favorable.

Moreover, though certain risks exist, such as overestimated demand or underestimated costs, in general, the findings made during the business plan development suggest that the opening the dance studio in Moscow could be very profitable project. In addition, the business does not require the special and expensive equipment, therefore initial investments are not very high, that makes the project quite realizable.

The final recommendation would be the optimization of the existing risks, particularly the risk of insufficient demand, that in turn, is associated with two factors. The first factor is wrong demand estimations, for example inclusion of unpopular dance styles and missing the desirable ones. In order to minimize the risk, therefore the more precise market research should be conducted. The second factor is associated with poor promotion, therefore the more investments could be considered for the advertisement and every aspect of promotion should be properly analyzed ( the ways of advertising, the dance school's concept and image, opening day etc.).

According to the findings of the theoretical researches discussed in the third chapter, the great importance has the development of the long term growth strategy, that includes besides the personal development of the founder's managerial skills, education and social network expansion.

## CHAPTER 6. Conclusion

The success of start up depends on many factors, both external, such as competition, macroeconomic environment, location etc., and internal ones, such as nascent entrepreneur's managerial skills, experience and education. The role of the preliminary business planning is actually is still the debatable question. Some researches claim that the business plan preparation does not affect the success of the future business, as there are many other important factors. Others has the opinion that the business plan could make the harmful impact, because it creates certain limits for an entrepreneur, so he or she acts within the frameworks set in the plan and becomes less flexible and misses the real opportunities. The third group of researchers, conversely, is convinced in the necessity of the business planning and its positive impact on the future business. Particularly, the development of the business plan has the following advantages:

- Planning encourages the faster decision making, as it allows identifying the missing information without commitment of the resources;
- Planning of the supply and demand of the resources helps to avoid bottlenecks avoiding the waste of too much time;
- Planning allows defining action steps to achieve goals in timely manner.

Actually, the business plan is the crucial instrument of the strategical development in young small and medium enterprises. The business plan therefore, plays the following major roles:

- The business plan is a means of communication with external stakeholders;
- The business plan is mechanism of internal control;
- The business plan is important factor of actual foundation of company and the further strategic planning and growth.

Nevertheless, the business plan is obviously is not the single factor of success. In the attempt to analyze these factors the particular attention was paid to the women entrepreneurship. Many researchers claim that women-founded enterprises perform worse than the men-founded, in terms of the growth, volume of sales, profit and employees. Actually the reasons of the female entrepreneurship failure are different, but all researchers analyzed indicated the lack of the strategic planning as the most important one. Moreover, many women has lack of experience and education that set the additional obstacles for the running the

business. Thus the following recommendations was developed for the achieving the success, based on successful stories of women businesses:

- The entrepreneur should have high level of passion and commitment in achiving her business goals;
- The successful business growth requires the development of the long-term strategy of the development and gaining the competitive advantage;

The discussion conducted in the Chapter 3 (theoretical) part created the background for the practical analysis. These findings and recommendations allowed developing the business plan of the dance school (Chapter 4) focusing on the most essential parts and details. The business plan contains:

- the business and product description;
- the analysis of the latest trends in the dance industry;
- market analysis, including the number of competitors, their geographical distribution, product portfolios and price policies;
- macroeconomic and demographic conditions in Moscow, as long as their forecasts for the forthcoming years;
- the marketing plan;
- financial plan, estimation of the amount of initial investments, monthly costs and break-even point;
- SWOT analysis and the discussion of the potential risks.

Thus, the business plan allowed making the important conclusion regarding the appropriateness of the starting the business, choosing the location, developing the competitive and growth strategy, determining the target customers and sources of financing. To sum up, the preparation of the business plan helped to solve the following issues:

- Define the strategic development of the dance studio, considering the market peculiarities and current macroeconomic conditions;
- To develop the general plan of the project implementation;
- Estimate the amount of initial investment, breakeven point and payback period, that determine the necessity of external financing;
- Develop the promotion plan;
- Determine the key consumers and the services that should be provided;
- Determine main competitors and develop the competitive strategy;

- Reduce potential risks by analyzing market environment (for example, external financing was considered too expensive and risky at the initial stage).

This means that the goal, stated at the beginning of the work has been accomplished, as long as following objectives:

1. The comprehensive literature review was made, including both theoretical and empirical researches concerning the importance of business planning, the key approaches of developing the appropriate and 'working' business plan, as long as factors contributing to the success and failure of the nascent entrepreneur. Particular attention was paid to the women entrepreneurship, the analysis of the gender differences in running business and factors crucial for the achieving the competitiveness. One of the most important findings suggest that women entrepreneurs should pay more attention to the development of managerial skills and the long-term strategic growth of their business;
2. The theory concerning the business plan development, including main stages and principles has been analyzed, that allowed to develop the comprehensive business plan of the dance studio;
3. The analysis of the business to be opened, the peculiarities of the dance industry and the macroeconomic and demographic analysis of the environment was conducted in the further part of the research;
4. Considering the findings of the literature review, the business plan that includes the business and product description , marketing strategy, financial and risk analysis was developed;
5. Finally, in the last part of research, the discussion of the business plan was made and main recommendations and conclusions regarding the appropriateness of starting up were developed.

Thus, the main conclusion that could be made considering the comprehensive analysis above, is that opening the idea of opening the dance studio is an appropriate one, considering the unsatisfied demand and favorable economic conditions. Therefore, the project is worth to be implemented, however the further and more in-depth analysis is required. Chapter 5, actually, contains the preliminary action plan, short-term plan and the long-term strategy, that should be further elaborated and expanded into the project plan with particular terms and objectives. This does not mean, however, that the information that the

business plan contains is incomplete or unreliable; conversely, the business plan gave the general vision on the business opportunities and helped to make the decision. Thus, the aim stated for the business plan development has been fully completed. The development of the project plan, actually, should be the next and the no less important stage in the starting up the business.

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